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The effect of accounting techniques on small business performances

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ABSTRACT

The peculiarities of small business are: economic activity for profit, economic freedom, innovative nature, flexibility and efficiency in decision-making, relatively low costs in the implementation of activities, especially management costs, lower requirements for initial capital, as well as higher turnover of own capital. The purpose of this work is to study theoretical and practical knowledge on the organization of accounting and reporting in small enterprises with a simplified taxation system, the development of measures aimed at improving accounting and reporting in LLC Gal-Info.

Key words: Accounting, Small business, Performance

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1. INTRODUCTION

Small enterprises in a market economy occupy a special place. In many developed countries, the performance of small enterprises determines the rate of economic growth, the structure and quality of the gross national product, occupying up to 60-70% of its total volume.

The peculiarities of small business are: economic activity for profit, economic freedom, innovative nature, flexibility and efficiency in decision-making, relatively low costs in the implementation of activities, especially management costs, lower requirements for initial capital, as well as higher turnover of own capital.

The important role of small business lies in the fact that it provides a significant number of new jobs, saturates the market with new goods and services, satisfies the numerous needs of large entrepreneurs, produces special goods and services. In addition, the contribution of small enterprises to the creation of the country's gross domestic product and the formation of federal and regional budgets is of no small importance. Small business is the basic component of the market economy, it plays an important role in the formation of competitive, civilized market relations that contribute to better meeting the needs of the population of the society in goods, works, services.

Despite the successes achieved in the development of small business, today there is considerable potential for the growth of this sector of the economy. Therefore, the study of this topic is especially relevant at the present stage of the development of market relations.

The purpose of this work is to study theoretical and practical knowledge on the organization of accounting and reporting in small enterprises with a simplified taxation system, the development of measures aimed at improving accounting and reporting in LLC Gal-Info.

To achieve this goal it is necessary to implement the following tasks:

1. To define the concept of small business, to characterize special tax regimes;
2. Review the regulatory framework governing small business accounting and reporting;
3. To study the organization of accounting and reporting at small business enterprises;
4. Identify and study the prospects for accounting and reporting at small businesses. Despite the successes achieved in the development of small business, today there is considerable potential for the growth of this sector of the economy. Therefore, the study of this topic is especially relevant at the present stage of the development of market relations.

1.1. LITERATURE REVIEW

The thesis consists of three chapters, introduction, conclusion, list of literature and applications.

The first chapter of the final qualifying work examines the theoretical aspects of accounting and reporting at small businesses, namely: the concept of small business and the characteristics of special tax regimes, regulatory regulation, the organization of accounting at small businesses, as well as the prospects for accounting and reporting. In the second chapter of the paper, the accounting features of the "Gal-Info" LLC are considered: the characteristics of the enterprise are given, the analysis of the main financial and economic indicators of the company's activity is analyzed, the accounting procedures in the organization are reviewed and recommendations for improving accounting are given. In the third chapter, the content and procedure for compiling accounting reports in LLC Gal-Info are reviewed, and

recommendations for improving the accounting and reporting of this enterprise are given.

During the writing of the thesis, the legislative and regulatory acts on the organization of small business, its accounting, taxation and reporting, reporting materials of LLC Gal-Info for 2010-2012 were studied.

Theoretical and methodological basis of the thesis work of the leading scientists of the country: Abryutina MS, Astakhova VP, Sheremet AD, Selyutina SV and many others.

In the course of the study, the following methods were used: observation, comparison, conduct and systematization of the analysis.

2. THEORETICAL ANALYSIS

2.1. Economic And Legal Bases Of Activity Of Small Business Enterprises

While doing business, every manager should know all the legal and economic nuances affecting small business. Knowledge of the law in most cases allows you to make the most effective decisions. Whereas, ignorance of the law, does not absolve from responsibility, and responsibility here can be very significant. It is also worth mentioning that it is difficult to manage without successful acquaintance with the law for the successful performance of small business.

While carrying out the activity of small business, one has to deal with many areas of law, which are set forth in many federal laws and legal acts, but the legal basis for entrepreneurial activity is laid by the

Civil Code of the Azerbaijan Federation (hereinafter - the Civil Code of the Azerbaijan Federation). (Niswoger, 1999:267)

The legal framework that governs small business lies in such relations as producer-consumer, producer-society, consumer-society. As a result, there is a need for the formation of actions of the parties, on the basis of legislation, and requires the constantly developing legal regulation of entrepreneurship.

The legal environment of entrepreneurship ensures the conscious management of legal activities permitted by law, and ensures freedom of economic decision-making. The legal environment comes into contact with the business from the moment of opening until the termination of the economic activity of the enterprise. However, its complexity lies in the fact that often there are changes, refinements that complicate the use of legal aspects in reality. In difficult situations, an entrepreneur can apply for advice to tax authorities, lawyers, accounting organizations, on doing business.

The basis for the implementation of entrepreneurship in Russia are the following principles that constitute the state policy in the field of legal regulation (Adebisi,1999: 8)

- the creation of equal equal conditions regardless of the form of ownership;

- application character, which simplifies entry into entrepreneurship.

Legislatively regulated are two aspects of entrepreneurship:

- Establishment of entrepreneurship;

- The legal side of the implementation of entrepreneurial activities.

According to the Constitution of the Azerbaijan Federation, everyone has the right to freely use their abilities and property for

entrepreneurial and other economic activities not prohibited by law (Андреева, 2012: 19).

Regulation of relations in the field of entrepreneurial activity is carried out by civil legislation. According to Article 2 of the Civil Code of the Azerbaijan Federation it follows that civil law regulates relations between persons engaged in entrepreneurial activities or with their participation (Винокурова, 2011: 23).

For entrepreneurial activity, it is important that civil law deals:

- with property relations, i.e. with such social relations arising over various kinds of material goods: things, works, services and other property in a broad sense. At the same time, civil law regulates not all property relations, but only those that are property-value, such as commodity-money relations, relations on the exchange of things, donations, etc.

- with personal non-property relations, arising, for example, about business reputation, name of a legal person, author's work, invention, industrial design, or these relations are related to the identity of the persons participating in them.

Civil law contains certain principles reflecting its most essential properties and ensuring the basic rights and freedoms of entrepreneurs. Such as permissive direction of civil law regulation, equality of the legal regime for all subjects of civil law, inadmissibility of arbitrary interference in private affairs, inviolability of property, freedom of contract, free movement of goods, services and financial resources across the territory.

The civil legislation provides for a certain system of guarantees for business. Such as:

- controls the permitted types of entrepreneurial activity, the establishment of enterprises and the acquisition of assets necessary for their activities;
- inadmissibility of refusal to register an enterprise on the basis of inexpediency;
- carries out legal equality of all business entities;
- provides an equal right of access of all business entities to the market, to material, financial, labor, information and natural resources;
- restricts monopolistic economic entities and their unfair competition;
- provides legal protection of interests of all subjects of entrepreneurial activity.

Legal regulation of subjects of entrepreneurial activity, including small business, solves such issues as establishing the legal capacity of subjects to engage in business, state registration, licensing (when required by law for certain activities), establishing the extent and measures of responsibility of the founders for the obligations of the entity, entrepreneurial activity. At the same time, the issue of registration is related to the acquisition of rights and has a dual setting for small businesses - the right to entrepreneurship and the right to state support.

In Article 18 of the Civil Code of the Azerbaijan Federation, based on the property rights of citizens, establishes their right to engage in entrepreneurial activities in two forms - as an individual entrepreneur and legal entity. But for employment by some kinds of business special conditions are provided - presence of the experience received during the certain term; availability of qualification certificate, etc. (Гуськова:186).

However, not all categories of citizens have the right to engage in entrepreneurial activities. As there are restrictions that are foreseen for

officials of state authorities and public administration, military personnel, employees of power ministries and services.

If we compare individual entrepreneurs and the activities of legal entities, the latter is the most difficult in terms of organizational, legal, financial and economic aspects.

Receiving the status of a legal entity, an entrepreneur commits actions not on his own behalf, but on behalf of this legal entity.

While an individual entrepreneur, acting for himself, can also hire employees, is obliged to regularly pay a profit tax, and conduct regular deductions for social needs. He also has the right to voluntarily choose one of the taxation systems according to his type of activity.(Abeygunasekera,2013)

A special issue that confronts business entities is the establishment of a measure of its responsibility and responsibility of its founders (participants) in property relations with other participants in civil circulation.(Adebisi,1999:8)

Responsibility for obligations is determined by the legal form of organization of economic activities of the business entity.

Let us note that an individual entrepreneur, being a citizen, is responsible for his obligations with all property belonging to him. In Article 24 of the Civil Code of the Azerbaijan Federation, the provision is fixed that from the obligation only that property to which the penalty can not be exacted is excluded.(Проданова, 2006:152)

Whereas, a legal entity is liable for its obligations with all property belonging to it (Article 56 GK). Its property is created at the expense of the contributions of the founders (participants) and can be produced or acquired in the course of economic activity. At the same time, there are differences in the extent of the responsibility of participants for the obligations of the organization, depending on the

organizational and legal form of management. That is, the personal property of the director or founders of the company, will not be taken into account in the case of recovery.(Суглобов, 2007:496)

Thus, investigating the legal and economic foundations of small business, it should be noted that these aspects are very important at all stages of the company's development. It is worthwhile to take this issue seriously from the very beginning of the small business. Since all organizational and economic activities are based on legal and economic aspects.

Due to the fact that absolutely all types of activities are actively developing in modern society, it is necessary to pay attention to such activities as: legal and accounting companies, tax assistance, which can help in solving difficult situations. And if there are special situations, you should apply to the arbitration court.

2.1.1. Objective foundations of the emergence and features of the functioning of small businesses

One can not but agree with the assertion of individual economists-theorists that an entrepreneurial organization, including a small one, is an open system [3], which is in constant interaction with the external environment. Therefore, studies of factors affecting small entrepreneurship (MT) are most often associated with outside influences.

Scientists most often distinguish the following main factors that inhibit the development of MP:

underdeveloped market infrastructure;

an excessively complex and ever-changing tax system(Adebisi,1999: 8);

a significant number of administrative obstacles, understood in the broadest sense of the word (Проданова,2006:152);

difficult access of entrepreneurs to the financial and credit resources of the banking structure. In particular, the wide creation of venture firms implies a relative excess of financial resources from concerns, banks, insurance companies, which actually took place in the west (Гуськова:186);

lack of budgetary policy for financing business projects;

discrepancy between the educational and qualification level of specialists and workers, lack of professional training for doing business.(Aremu,2011)

The functioning of small businesses takes place in an entrepreneurial environment. Under the entrepreneurial climate, management is understood as the activity of entrepreneurial activity(Akwaese,1997;12).

There are factors of internal and external business environment. Under the internal environment is understood the economic organism of the enterprise (entrepreneurial ability, personnel qualification, managerial experience, education and other factors affecting the activity of an individual enterprise). The internal environment is connected:

with the personal qualities of the entrepreneur, the most important of which are: professionalism, ability to predict events, willingness to take risks, self-confidence, the ability to multi-variant solutions, communication skills and a common culture;

with the availability of capital (free cash and / or the necessary material resources);

with organizational capabilities of production;

with logistical support of means of production;

with the possibilities of managing the human resource;

with the possibilities of financial management;
with marketing activities, etc.

The conditions for the development of entrepreneurship are determined by many components. The narrowing of the approach to assessing the functioning environment of the MP, carried out by some authors, can lead to a distortion of the real situation (Гуськова:186).

The external environment means conditions and factors that have or may have an impact on the functioning of the enterprise. The set of these factors and the assessment of their impact on the economic activities of the enterprise are different both for researchers and for individual firms.

I. Gerchikova cites the following classification of external factors of the entrepreneurial environment (Винокурова,2011:23):

- factors of direct impact:

1) the nature and state of market relations: consumer demand; offers; terms of trade in the market (forms and methods of trade, commercial practices, conditions of commodity circulation, legal issues, trade and political conditions);

2) economic ties of the firm: a network of suppliers of raw materials, materials, equipment, fuel and energy; providing the necessary skills and skills for the workforce; relations with financial institutions-creditors or investors (banks, shareholders, private individuals); relations with trade unions;

- factors of indirect impact:

1) regulation of entrepreneurial activity;

2) general economic: the requirements of the scientific and technological revolution; the state of the country's economy; business climate;

3) general political.

Depending on the nature of the influence on the scope of the MP, the aggregate of factors is divided into groups:

basic (affect the possibility of existence): legislation, taxation, resources;

complementary (affect the volume of MP and its health): special government support, market infrastructure, social partnership, self-organization of entrepreneurs;

internal (affect the success rates of the MP): psychological and professional readiness for entrepreneurial activities, the environment of the MB.

The same factors to emphasize the specifics of the nature of the development of MP in the region are convenient to consider in another section:

factors that make it possible to function MP (economic and business environment);

factors that motivate the economically active population to occupy the MP (creating a social atmosphere that stimulates business activity).

A. Hosking singles out the macro environment and the microenvironment of entrepreneurship. The macro environment includes economic, legal, political, socio-cultural, technological, physical (geographical) conditions of activity. The microenvironment includes the institutional system of entrepreneurship.

Solodkov M.V. (Проданова, 2006: 160) conducted a study based on statistical data for the period 1995-1998. the following factors and revealed their impact on the MP by applying correlation-regression analysis: population density of the territory of the region; population composition of the studied region (rural or urban); gross regional product (GRP) per capita; share of own expenses of the regional budget; resource

and raw materials potential of the region; infrastructure of the region; institutional capacity of the region; production potential of the region; intellectual potential of the region; innovative potential of the region; labor productivity (income per capita); risks: political, criminal, environmental, social.

Solodkov M.V. revealed that the greatest influence on the activity of the MP of the region is provided by such factors as the density of the population living on the territory, (correlation coefficient 0.28); the share of rural residents in the total population (the correlation coefficient was -0.36), labor productivity (the correlation coefficient was from 0.34 to 0.41), the institutional potential (correlation coefficient from 0.21 to 0.40), intellectual potential (correlation coefficient 0.35).

Basareva V.G. [6] proves that the relative demand for labor in the MB segment is influenced by regional differences in the level of risk that arise from the institutional weakness of regions and the conservative attitudes of the regional elite. Differences in the expected risks cause a different degree of people's confidence in the rules of doing business.

One of the latest World Bank studies conducted in 69 countries, where 3,000 600 entrepreneurs were interviewed, allowed to assert: institutional barriers exist in all countries, but the significance of individual factors is different (Суглобов, 2007:61).

The development of foreign trade (Olatunji,1995) as well as specific factors that can be called the index of reforms or the initiative of local authorities, were crucial for the development of small business (MB) in Eastern and Western Europe (Гуськова;190).

In order to explain the processes of the birth of small enterprises in England, three theoretical models are proposed: the model of economic decline (unemployment contributes to the creation of small enterprises); a model of income growth of the population (shows a

subsequent change in market demand); a model that explains the surge in the creation of new firms by the advent of new technologies (Dasanayaka,2009).

As the factors influencing the development and birth of new small firms, the authors also noted (Суглобов,2007:496):

human capital (Niswoger,1999:267);

the level of the various costs of establishing an enterprise, including transactional costs;

sectoral structure of the economy, the share of unstable industries, such as construction, retail trade, services);

presence of factors of production, market infrastructure

access to research and development, information, innovations, new technologies;

level of costs for public infrastructure;

support of entrepreneurship or lack of it on the part of government authorities;

social norms that promote confidence in entrepreneurship.

Thus, there are different approaches to the classification of factors of the business environment.

We cite our classification of external factors that affect the state of the MP, depending on their functions and determine for them the possibility of using political instruments (see Table 1).

Table 1 - Classification of external factors of MP development depending on their functions

Study	Assessment tools	Environmental factors assessed	Corresponding ICF environmental factors
Dudek et al., 2008	Patient Activity Monitor Digi-Walker pedometer	Home environment	e155
Hafner and Smith, 2009	Amputee Mobility Predictor	Walking, up and down stairs, and assistive devices for walking	e115, e150, e155
	Prosthesis Evaluation Questionnaire	Prosthetic use in close spaces, stairs, hills, sidewalks, streets, slippery surfaces; Perceptions of strangers, friends, partners, and family members' reactions	e115, e150, e155, e355, e410, e420, e445
	36-Item Short Form Healthy Survey	None	-
	Hill Assessment Index	Hill walking	e150, e155
	Stair Assessment Index	Stair walking	e150, e155
	Obstacle course	Uneven terrain	e150, e155
	Attention demands	None	-
Gates et al., 2012	Three-dimensional kinematic gait evaluation	Destabilizing rock surface	e150, e155

The factors of the external business environment can be divided into two main groups according to their functions: regulating ("framework environment") and providing (economic and business environment). The effect of two main groups of factors is possible if the resolving factor positively operates. The concept of "resolving factor" was introduced by Ukrainian researchers and determines the possibility

of the existence of small businesses on legal grounds. This is a political factor that allows or does not allow the emergence of the private sector in accordance with the general policy of the state.

Factors for the formation of a "framework environment" include: policy, legal conditions, administrative mechanisms. Politics, political attitudes of the government in power are the main factors of the business environment. The result of political goals and objectives are ways to manage the economy. An important factor in this group is the factor that forms the organization of the MP. In many ways, it is a consequence of the activity of the state authorities in supporting the entrepreneurship of the region and creating conditions for its development.

"Good" regulatory conditions create the prerequisites for creating favorable conditions for the economic and business environment or the second group of factors. To adjust the "game conditions", tools of the first and second type are used.

The second group of external factors - factors that favor or are not conducive to doing business, it is an economic and business environment.

The economic and business environment is enhanced by the use of third type instruments - direct measures of influence.

The above classification of environmental factors shows that it is difficult to influence the access to resources because of their limited nature, it is practically impossible to influence the macroeconomic conditions, and the improvement of the regulatory and business environment is quite realistic.

Factors affecting the development of the MP can be divided into objective (which depends little on the will of the entrepreneur, his desire) and subjective. The objective factors include the population density, the territorial factor, the potential of the region, the sectoral structure of the

region. An entrepreneur can only adapt to these factors by evaluating and forecasting the directions of their development and adapting to their change.

Subjective factors include criminogenic risk, administrative barriers for the entrepreneur, competitive environment, and others. These factors the entrepreneur has the ability to change and influence them.

The conditions for the development of the MP represent the environment for the functioning of the MP and predetermine the economic potential for the development of this subject of the economic system.

The conditions of management in many respects represent the potential reserve that can be successfully used by entrepreneurs to implement their business ideas and developments. That is, the conditions of management are not the situation that has developed in the region (the structure of the branches of the national economy, the demand and supply on the market, the dynamics of investments, the local labor market, etc.), and those potential opportunities of the regional market that can positively or negatively affect on the behavior of existing and potential entrepreneurs, on the development of their business strategy.

An analysis of the state of entrepreneurial activity in Russia allows us to formulate a number of conditions for the stable development of the MP: (Olaoye,2012).

- Presence of guarantees in the preservation of property;
- granting maximum possible freedom to entrepreneurs;
- state support of entrepreneurship;
- cooperation of the state and non-state sectors of the economy;
- restriction of monopoly and further development of the economy;

- legal protection.

When studying the conditions and factors of development of the MP, we identified the models of their organization on the basis of studying the foreign experience of the economies of Western Europe.

The term "model" is used here in the most general sense - to describe the situation in those regions where, due to various reasons and specific local conditions, the MB has become particularly important. Analysis of these moments allows us to formulate a theoretical model that can be used as an example by other regions that have similar conditions. Three such Western European models are described in the literature.

The Mondragon model (Spain). This model is the highest form of organization of the development of the MB and combines the advantages of the MB together with the cooperative movement. Currently, the Mondragon complex includes 173 cooperatives engaged in a variety of industrial and non-industrial activities, and employs about 19,000 workers (Андреева,2012:19). Today Mondragon is a kind of territorial integrity, in which the dynamics of the MP is maintained by creating or "spinning" all new small production units (Central Bank of Nigeria 2004).

The main factor in the development of this model belongs to the institutional factor. Especially it is necessary to single out the cooperative bank Saja Laboral Rohrular (CLR) and the Enterprise Department existing under it, which in various ways contributed to the emergence and structural development of this complex. These structures have accumulated local savings (Akwaese,1997:12), the business department acted as a collective entrepreneur, and in this capacity was responsible for the conduct of relevant policies. At the same time, emphasis was placed on innovative development.

2.1.2. The concept of accounting in small businesses

The organization of accounting is a system for constructing an accounting process. The accounting process consists of the following main elements: primary accounting, registers of accounting, document circulation, inventory: reporting. Small forms of entrepreneurial activity became widespread in the XV-XVI centuries. At present, the important role of small business in the development of social and political activity is recognized by the state (Гуськова:186).

In order to implement the state policy in the development of small and medium-sized business in the Azerbaijan Federation, federal laws and other normative legal acts of the Azerbaijan Federation may provide for the following measures: special tax regimes, simplified rules for tax accounting, simplified forms of tax returns for individual taxes and fees for small enterprises; simplified system of accounting for small businesses that carry out certain activities; simplified procedure for compiling statistical reports by small and medium-sized businesses; preferential procedure for settlements for state and municipal property privatized by small and medium-sized enterprises; peculiarities of participation of small business entities as suppliers (executors, contractors) for the purpose of placing orders for the supply of goods, performing works, rendering services for state and municipal needs; measures to ensure the rights and legitimate interests of small and medium-sized businesses in the implementation of state control (supervision); measures to ensure financial support for small and medium-sized businesses; measures to develop infrastructure for supporting small and medium-sized businesses; other measures aimed at ensuring the implementation of the goals and principles of the Federal Law of July 24, 2007 No. 209-FZ. Accounting process is organized by the chief accountant. He reports directly to the head of the organization.

The organization of the accounting process at a small enterprise begins with the accounting policy for accounting purposes. The accounting policy of the organization is made by the chief accountant, and the head of the organization states by his order. It describes the features of the accounting process at the enterprise, reflects the methodology and accounting methods used, issues of drawing up and presentation of accounting statements (internal and external). When forming the accounting policy, the chief accountant determines the structure of the accounting service. When organizing and maintaining accounting in organizations that are subjects of small business, one should be guided by general requirements of accounting and tax legislation. Responsibility for the organization of accounting in small enterprises, compliance with the legislation in the performance of business operations are borne by their managers. In the event that an individual entrepreneur, a person engaged in private practice, maintains accounting records in accordance with the Federal Law "On Accounting" approved by the State Duma of the Azerbaijan Federation of 06.12.2011, No. 402-FZ, they themselves organize accounting and storage of documents accounting, as well as bear other duties established by this Federal Law for the head of an economic entity. The head of a small enterprise, depending on the amount of accounting work is entitled: - to create an accounting service as a structural unit, headed by the chief accountant; - Enter the position of accountant in the staff; - transfer on a contractual basis the accounting of a special organization (centralized accounting) or an accountant-specialist; - keep accounting in person. The basic principle of organization of accounting in any organization is the maximum simplification of accounting procedures without harming the fulfillment of the tasks assigned to it. For small businesses, it is especially relevant in connection with limited financial resources, so the effectiveness of the

accounting service for them is of particular importance (Проданова, 2006:152).

Therefore, the procedure for the initial setting or reform of the organization's accounting records is preceded by the study of the tasks that it must perform in it. Competent statement of accounting in the organization allows: to ensure the safety of property; ensure the effectiveness of resource management; to calculate the financial result of the activity; determine tax liabilities. Know these tasks is extremely important for the leader of any organization, since the choice of the best ways to solve them is the basis for building an effective accounting system and, more importantly, managing the organization. A small enterprise has the right to independently choose the form of accounting, based on the needs and scale of its production and management, the number of employees (Суглобов, 2007:496).

Thus, it is recommended that small enterprises engaged in the material production sphere use registers provided for in journal-order form. Small enterprises engaged in trade and other intermediary activities can use registers from a simplified form of accounting, applying individual registers, if necessary, to account for certain values prevailing in their activities (inventories, financial assets, etc.).

2.2. METHODOLOGY AND RESULTS OF ORGANIZATION OF ACCOUNTING AT SMALL BUSINESSES AND THE DIRECTION OF ITS IMPROVEMENT

2.2.1. Methodology

LLC "Gal-Info" has an organizational and legal form of a limited liability company.

The organization is engaged in the publication and sale of the newspaper in the city of Gorno-Altai and the regions of the Altai Republic. The organization also provides services for the placement of advertisements and ads in the newspaper, buys and sells other newspaper products. The implementation of newspapers is carried out through kiosks for the distribution of newspaper and magazine products, stores and individual distributors, who purchase it in the editorial office. The subscription to the newspaper is also carried out. The newspaper has several regional applications, which are being implemented in the regions of the Altai Republic.

The main purpose of the organization is to make a profit.

Net profit formed in accordance with the established procedure, after payment of taxes provided for by legislation, for the reporting period, is subject to distribution among the Participants in proportion to their share in the Authorized capital. The remaining net profit of the company is directed to the development and expansion of production, and other purposes at the discretion of the Participants.

The enterprise carries out economic activity on the basis of the charter of the Company.

LLC "Gal-Info" carries out its activities on the basis of:

1. Economic calculation and self-financing;
2. Non-cash payment with citizens and legal entities;
3. Cash settlement with citizens and legal entities.

The basis of activities are contracts with enterprises, organizations of any form of ownership, as well as providing services to the population directly. Forms, content and terms are determined by the terms of these contracts.

LLC "Gal-Info" sells its products, services at prices and tariffs, established independently or on a contractual basis. The organization is responsible for the results of its activities, for fulfilling its obligations to the budget, the bank, partners under contracts, as well as to the work collective, according to the current legislation.

The property of Gal-Info LLC constitutes material assets and financial resources that are on its balance sheet and are the property of the company.

The company independently plans its activities aimed at making profits, determines the prospects for development, based on the demand for products and services.

Gal-Info LLC is on a simplified taxation system, but maintains its accounting records in accordance with Federal Law No. 402-FZ of 06.12.2011 "On Accounting", as well as regulatory acts of bodies authorized by federal laws issues of accounting and is responsible for its reliability.

In LLC Gal-Info accounting is maintained by the chief accountant. The chief accountant is appointed or dismissed by the head of the organization and reports directly to him. The chief accountant is responsible for ensuring the correct setting of accounting, its reliability, timeliness, control over the safety, rational and economical use of all the means of the enterprise. He carries out accounting of economic activity

and control over cash flows, their receipt and expenditure, as well as for the movement of material resources, maintains banking documents, settlement transactions, including payroll workers, books of purchases and sales. The accountant forms the balance sheet and annual reports, fills in the declarations and reports in off-budget funds.

In the subordination of the chief accountant is a cashier, whose duties include obtaining and issuing money, ensuring the safety of money, drawing up cash reports, receiving statements with applications in the bank, processing payment orders, timely delivery of orders to the bank, collecting information on banks about receipt and use of funds in the current account, as well as the issuance of documents for payment for services rendered and goods shipped to customers.

Accounting is automated using the "BC: Accounting" program. The initial data for the accounting department are the entries entered in the journal of business transactions. Based on the entries, the program automatically generates financial statements. Primary accounting documents are drawn up directly at the time of the transactions or immediately after their completion.

The organization uses the current Chart of Accounts for the accounting of financial and economic activities of organizations and enterprises approved by the Order of the Ministry of Finance of the Azerbaijan Federation of October 31, 2000. No. 94n.

Accounting for property, liabilities and business transactions is maintained in the accounts of the working chart of accounts, containing synthetic and analytical accounts.

"Gal-Info" LLC in 2010-2012 saw an increase and then a decrease in the main productive financial performance of the company: revenues from sales, gross and net profit. However, the cost price of the goods sold increased.

Thus, revenue from sales at the beginning of 2011 was equal to 983 thousand rubles. At the end of 2011, this indicator increased by 280 thousand rubles. (28.4%), which in summary terms is 1263 thousand rubles, and in 2012 the revenue of Gal-Info LLC reached 1,173 thousand rubles, which is 90 thousand rubles. (7.13%) less than in 2011.

2.2.2. Features of the organizational aspect of the construction of the accounting process at small businesses

Cost of goods sold by LLC Gal-Info for 2010-2012. tends to increase. So, at the beginning of 2011 it was equal to 480 thousand rubles. At the end of 2011, it is increasing by 24 thousand rubles. (5%) and it amounted to 504 thousand rubles, and in 2012 this figure also increases by 46 thousand rubles. (9.13%) and is 550 thousand rubles.

The gross profit of LLC "Gal-Info" for 2010-2012. tended to increase, and then to decline. So at the beginning of 2011 this indicator was 503 thousand rubles. At the end of 2011 the gross profit of the company reached 759 thousand rubles, which is 256 thousand rubles. more than at the beginning of 2011. And in 2012, the decrease in this indicator was 136 thousand rubles. (17.92%) and gross profit was 623 thousand rubles. The net profit of the organization at the beginning of 2011 was observed at 411 thousand rubles, at the end of 2011 this figure increased to 633 thousand rubles, and in 2012 net profit decreased to 504 thousand rubles, which is due to increase in the cost price of goods.

Commercial expenses in 2011 increased by 97.44%, which amounted to 77 thousand rubles, but in 2012 decreased by 29 thousand rubles. (37.66%) and amounted to 48 thousand rubles.

Profitability in 2011 has a positive trend, compared with 2010 increased by 20.23%, but in 2012 decreased by 13.09%. The number of personnel remained unchanged in the number of 12 people during the entire study period, wages also remained at the same level. Labor productivity in 2011 increased by 23.33 thousand rubles. (28.48%), however in 2012 it decreased by 7,5 thousand rubles. (7.13%) due to a decrease in the volume of output. In 2011, the amount of receivables decreased by 40 thousand rubles, in 2012 increased by 17 thousand rubles. Basically, it is the debt of customers. From 2010 to 2012, accounts payable increased by 5 thousand rubles. and 17 thousand rubles. respectively, due to an increase in customer debt. At the end of 2012, fixed assets decreased due to equipment write-off.

In this paragraph, the characteristics of the organization are given and the analysis of indicators of financial and economic activity is made. Analysis of the financial condition of the organization is the most important condition for the successful management of its finances. The financial condition of the enterprise is characterized by a set of indicators that reflect the process of formation and use of its financial resources. And now consider the organization of accounting in the enterprise.

"Gal-Info" LLC applies a simplified taxation system with the object of taxation - income less expenses at the rate of 15%.

A small enterprise independently chooses the form of accounting from the number of employees approved by the relevant authorities, based on the needs and scale of its production and management. Accounting in the organization is conducted by the method of double recording of business transactions. At the end of each month, turnover-balance sheets are prepared for accounts, the balances on which are checked against the data of the main book. Accounting at the enterprise is automated using the program "BC: Accounting". The initial data for

the accounting department are the entries entered in the journal of business transactions. Based on the entries, the program automatically generates financial statements. The accounting policy for 2013 is not available at the enterprise.

Accounting in LLC "Gal-Info" is carried out in accordance with the Law of the Azerbaijan Federation "On Accounting" of 06.12.11 № 402-FZ, as well as regulatory acts of bodies to which the federal laws granted the right to regulate accounting issues.

Responsibility for the organization of accounting in the society, compliance with legislation in the performance of business operations is the head of the company. In OOO Gal-Info accounting is kept by an accountant. He reports directly to the head of the company and is responsible for the formation of accounting policy, accounting, timely submission of complete and reliable financial statements. The accountant ensures the compliance of the economic transactions carried out with the legislation of the Azerbaijan Federation, control over the movement of property and the fulfillment of obligations.

To conduct cash operations in the state of the organization, there is a post of accountant-cashier, who directly reports to the chief accountant. With the bookkeeper-cashier an agreement on full liability has been concluded. In his work, the accountant-cashier is guided by the Regulations on the Procedure for Conducting Cash Operations with Banknotes and Coins of the Bank of Russia on the Territory of the Azerbaijan Federation No. 373-P of 12.10.2011.

Acceptance and issuance of cash accountant-cashier makes only on the basis of primary documents of the established form, signed by the head and chief accountant. Movement of cash in cash in the cash department of LLC "Gal-Info" is formalized with incoming and outgoing cash orders.

Incoming and outgoing cash orders are registered in the register of receipts and receipts in which the documents are assigned a serial number. The registration log monitors the purpose of the received and spent cash of the organization, the assigned numbers of cash documents allow you to check the completeness of the operations performed by the cashier.

Immediately after receiving or issuing money for each cash document, the accountant-cashier makes a posting in the cash book, which is intended for cash flow transactions at the checkout.

2.2.3. Current practice and ways to improve the organization of accounting for basic business operations at small businesses under various forms of accounting

To conduct cash operations in the state of the organization, there is a post of accountant-cashier, who directly reports to the chief accountant. With the bookkeeper-cashier an agreement on full liability has been concluded. In his work, the accountant-cashier is guided by the Regulations on the Procedure for Conducting Cash Operations with Banknotes and Coins of the Bank of Russia on the Territory of the Azerbaijan Federation No. 373-P of 12.10.2011.

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number. The registration log monitors the purpose of the received and spent cash of the organization, the assigned numbers of cash documents allow you to check the completeness of the operations performed by the cashier.

Immediately after receiving or issuing money for each cash document, the accountant-cashier makes a posting in the cash book, which is intended for cash flow transactions at the checkout.

The accountant-cashier calculates the results of operations for the day, displays the rest of the money in the cash register and passes the report to the chief accountant with the incoming and outgoing cash orders. The cash book is filled in daily with the calculation of the balance at the end of each month.

To ensure the full preservation of documents, the cash book in LLC Gal-Info is conducted in an automated manner. The cash book and cashier reports are printed out for each day of transactions and stored in a folder. At the end of the year, the cash book and cashier's report are threaded and sealed.

From January 1, 2012 in accordance with paragraph 1.3 of the Regulation "On the procedure for conducting cash transactions with banknotes and coins of the Bank of Russia on the territory of the Azerbaijan Federation", approved by the Bank of Russia on 12.10.2011, No. 373-P for conducting cash transactions, organizations and individual entrepreneurs independently set the limit of the cash balance.

The limit is calculated according to a special formula, in which revenues are received, the settlement period (not more than 92 working days), as well as the period of time between the days of delivery of cash to the bank. For the first time it was established that this period should not exceed seven working days, and in a settlement in which there is no bank, fourteen working days. The only exception is force majeure.

In LLC "Gal-Info" the established limit of the cash balance is issued by an order signed by the head and chief accountant. The limit of cash in the cash department of the organization for 2013 is 6858.00 rubles. Cash over the established limit is deposited into a bank account. Accumulation of money over the limit is allowed not only on days of payment of wages, as before, but also on weekends (holidays), if on that day the organization carries out cash transactions (Clause 1.4 of the Regulations).

To account for the availability and movement of cash in the cashier, the active account 50 "Cashier" is used. The balance of the account indicates the availability of the amount of free money in the cashier's office at the beginning of the month; turnover on the debit - the amount received in cash in cash, and for the loan - the amount issued in cash.

The balance at the end of the month on account 50 "Cashier" is derived as follows: to the balance at the beginning of the month, the total of the debit turnover for the month and the total of the credit turnover for the month are added. The balance obtained is checked against the balances in the cash register, which is listed on the last report of the cashier, and reflected in the debit statements as a balance at the end of the month.

Table 2 shows the main correspondence of cash transactions drawn from the company's cash book for the period from May 1, 2013 to May 31, 2013.

**Table 2 - Journal of registering cash transactions LLC
"Gal-Info" for May 2013**

Cash Regist... / BNK1/2013/0005

Edit Create Attachment(s) More 1 / 8

Close CashBox Cancel CashBox New Open Closed

BNK1/2013/0005

Journal	Cash (EUR)	Date	04/08/2013
Responsible	Administrator	Closed On	
Total Transactions	0.00	Period	X 04/2013
Company	Your Company		

Cash Transactions Cash Control

Unit of Currency	Opening Unit Numbers	Opening Subtotal	Closing Unit Numbers	Closing Subtotal
0.01	0	0.00	0	0.00
0.02	0	0.00	0	0.00
0.05	0	0.00	0	0.00
0.10	0	0.00	0	0.00
0.20	0	0.00	0	0.00
0.50	0	0.00	0	0.00
1.00	0	0.00	0	0.00
2.00	0	0.00	0	0.00
5.00	0	0.00	0	0.00
10.00	0	0.00	0	0.00
20.00	0	0.00	0	0.00
50.00	0	0.00	0	0.00
100.00	0	0.00	0	0.00
200.00	0	0.00	0	0.00
500.00	0	0.00	0	0.00
1000.00	20	20000.00	0	0.00

Opening Balance		Closing Balance	
Opening Cash Control	20000.00	Computed Balance	20200.00
Last Closing Balance	0.00		
Total Transactions	200.00		

In LLC "Gal-Info" there is no specially equipped room for cash, all cash and securities are stored in a fireproof metal safe. Keys and seals are kept by the accountant-cashier.

Acceptance of cash in the implementation of settlements with customers is made using a cash register machine. During the day, the accountant-cashier issues a receipt for the purchase (service) printed by the CMC confirming the fulfillment of obligations under the contract of sale between the buyer and the relevant organization.

At the end of the working day, a daily report with a cancellation is printed out, on the basis of which a cash receipt is issued for the amount of cash received.

In order to control the accuracy of the accounting of cash transactions and the safety of cash in Gal-Info LLC, an inventory of the cash desk is conducted.

Inventory of the cash desk in the organization is carried out by an inventory commission, which includes the head and chief accountant. Members of the commission in the presence of the accountant-cashier check the presence of a recounting of all the money in the cash register, receipts for valuables deposited for storage, securities, forms of strict accountability, as well as keeping a cash book and the procedure for storing money.

The results of the inventory are formalized by the act of f. Inv.-15. In the act, the actual cash balances are compared with the accounting data, which makes it possible to determine the shortage or surplus of cash. The act is issued on the day of the cash register and is signed by all members of the inventory commission. If there is a shortage or excess of money, the cashier-cashier submits a written explanation to the commission. The surpluses identified during inventory are credited to the enterprise's income. Calculations of LLC "Gal-Info" with other enterprises, institutions, as well as private entrepreneurs without the formation of a legal entity are made by bank transfer through non-cash institutions. For the storage of free cash and credit and settlement

services, the company has a settlement account with OOO Maima Bank. The funds are credited to the settlement account on the basis of cash advances, incoming payment orders.

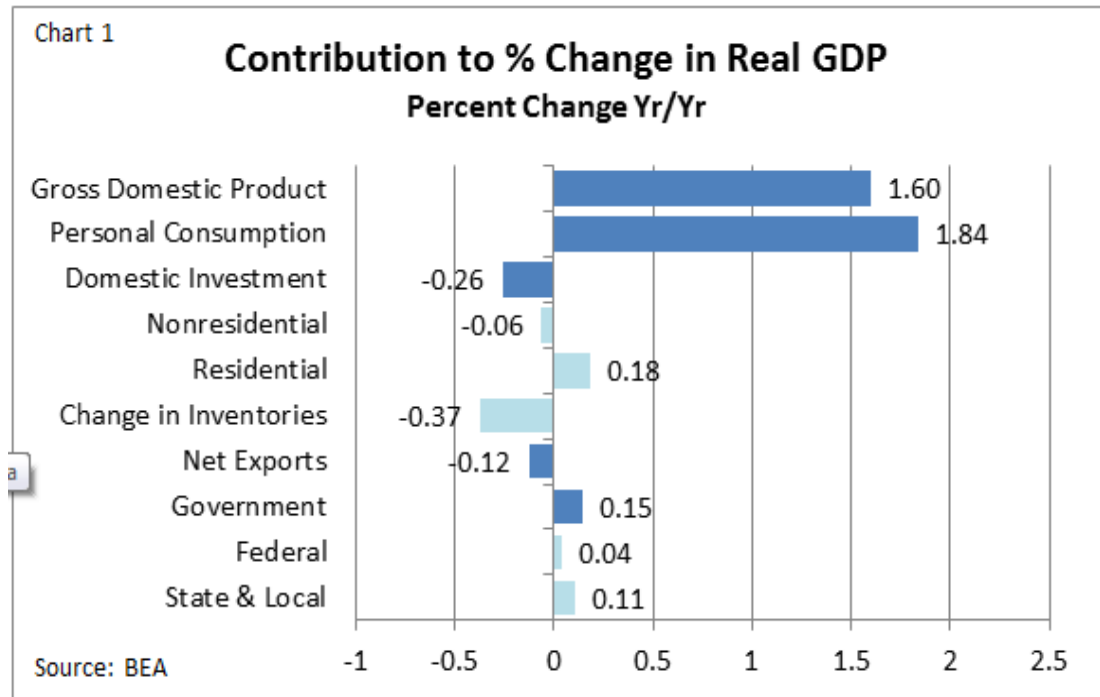
Write-off and issue of funds from a settlement account are made on payment orders, cash checks and documents that have enforcement force. To receive cash in the bank, the account holder receives a checkbook at the banking institution.

2.2.4. Formation of reporting at small businesses

To monitor the facts of transactions on the current account, the bank issues statements from the current account.

To receive information on the availability and flow of funds on the current account, use the active account 51 "Settlement account". The debit of this account reflects the receipt of funds, and the loan - their retirement. The balance on this account can only be debit, which shows the balance of funds on the current account.

Table 3 - Chart of records of economic operations of LLC "Gal-Info" on account 51.1 "Settlement account of the organization" for June 21, 2013



Accounting of payments for goods and services provided to suppliers from buyers is carried out on account 60 "Settlements with suppliers and contractors". Analytical accounting for the account is maintained for each invoice, and calculations for planned payments are made for each supplier and contractor. The main documents for settlement relationships with suppliers and contractors is an invoice of the established form, which is issued by the supplier or contractor and the commodity bill of lading. Settlements with suppliers and contractors occur after the shipment of inventory items, works and services. This account periodically generates a debit or a credit balance. The debit balance means that payment to the supplier is made, but the goods are still in transit and are not written off by materially responsible employees. The credit balance indicates that the goods are capitalized, but the payment for the goods to the supplier has not yet been made. Gal-Info LLC printed a newspaper in ZAO Prime Print Novosibirsk for the

amount of 101,280.94 rubles, including VAT (18%) - 15,499.63 rubles. The following transactions were made in the accounting records.

Accounting of settlements with buyers and customers is conducted on account 62 "Settlements with buyers and customers". The account is intended for generalization of information about settlements with buyers and customers.

Account 62 "Settlements with buyers and customers" is debited in correspondence with accounts 90 "Sales", 91 "Other income and expenses" for amounts for which settlement documents are presented. The account is credited in correspondence with the accounts of the account of monetary funds, payments for the amounts of received payments (including the amounts of advances received), etc. At the same time, the amounts of advances received and prepayment are accounted for separately.

"Gal-Info" LLC shipped the newspaper to the developer OOO "Development" for the amount of 3 000,00 rubles.

Accounting of settlements with buyers and customers within the group of interconnected organizations, on the activity of which the consolidated financial statements are compiled, is maintained on account 62 "Settlements with buyers and customers" separately.

To account for transactions with various debtors and creditors, OOO Gal-Info uses an active-passive account 76 "Settlements with various debtors and creditors". Analytical accounting for the account is maintained for each debtor and lender separately. This account summarizes information on settlements on transactions with debtors and creditors: on property and personal insurance; for claims; on amounts deducted from the payment of labor of enterprise employees in favor of other organizations and individuals on the basis of executive documents or court orders, and others.

On account 70 "Calculations with personnel for remuneration of labor" summarizes information on settlements with staff both composed and not on the payroll of the organization, on wages (for all types of wages, bonuses, benefits and other payments), as well as on payment of income on shares and other securities of this organization.

Under the credit of account 70 «Calculations with personnel on payment» the sums are reflected:

- remuneration of labor due to employees, - in correspondence with the debit of the accounts of the cost of production (sales costs) and other sources;

- the payment of employee holidays, accrued from the established reserve for these purposes, - in correspondence with the debit of account 96 "Reserves for future expenses" in the event that the accounting policy of the organization provides for the creation of a reserve for the forthcoming payment of employee holidays, or are included in the debit of accounts accounting for production costs (if no provision for vacation pay is created). At the same time, the part of the sums accrued for the days of vacation falling on the following for the reporting months is reflected in the debit of account 97 "Expenses of future periods";

- Accrued benefits from contributions to the Social Protection Fund and other similar amounts - in correspondence with the debit of account 69 "Settlements on social insurance and collateral".

In the debit of account 70 "Settlements with personnel for remuneration of labor" shall be reflected the paid amounts of wages, bonuses, benefits, etc., income from participation in the statutory fund of the organization, as well as the amount of assessed taxes, payments on executive documents and other deductions.

Table 4 shows the posting of transactions on the calculation of wages and made deductions from it.

Table 4 - Provisions for account 70 "Settlements with staff for remuneration" LLC Gal-Info "for April 2013

Nature of Payment	Income Taxable to Employee?	Reporting to Employee	Reporting to Attorney
Court award designating attorneys' fees (Workers' rights statutes, such as Title VII, generally include fee-shifting provisions.)	Yes—attorneys' fees generally taxable to employee.	Attorneys' fees reportable in Box 3 of 1099-MISC (not W-2) even though paid separately to attorney. Treas. Reg. §1.6041-1(f)(1) and (2).	Box 14 of 1099 MISC to attorney in the amount of check payable to attorney. Treas. Reg. § 1.6045-5(a), and (f) Ex. 3.
Court award without designation of attorneys' fees	Yes—attorneys' fees generally taxable to employee.	The total award is reportable, as appropriate (on 1099-MISC or W-2) even though attorneys' fees paid separately to attorney. Treas. Reg. §1.6041-1(f)(1) and (2).	Box 14 of 1099 MISC to attorney in the amount of check payable to attorney. Treas. Reg. § 1.6045-5(a), and (f) Ex. 3.
Settlement payment	Yes—attorneys' fees generally taxable to employee.	To be determined, based on the nature of the action. If wages, reportable on W-2. If not wages, reportable in Box 3 of 1099MISC.	Box 14 of 1099MISC to attorney in the amount of check payable to attorney. Treas. Reg. § 1.6045-5(a), and (f) Ex. 3.

If at the end of the specified period not all amounts of the accrued payments are given to the recipients, they are deposited and surrendered on the ad to the bank's institution. The amounts are reflected in the debit of account 70 "Settlements with staff for remuneration of labor" and the credit of account 76 "Settlements with different debtors and creditors" (subaccount 76.5 "Settlements with deposited sums").

Analytical accounting for account 70 "Settlements with staff for remuneration" is conducted for each employee of the organization.

For example, employees of LLC Gal-Info for May accrued a salary for issuance for a total of 128,306.00 rubles. During the payout period, the company's cash department issued 99,600.00 rubles. Not issued amounts are deposited and issued.

The following transactions were made in the company's accounting records.

The account of the monetary funds issued to the employee is maintained in account 71 "Settlements with accountable persons". To receive an accountable amount, the employee must write a statement in an arbitrary form. This statement must be mandatory certified by the head of the organization, and the head must make a statement on the amount of the accountable amount that must be given to this employee and the period for which it is issued. An employee who receives an accountable amount must report for it, submitting an advance report with the attached documents confirming the expenses. Unpaid funds must be returned to the cashier.

3. ORGANIZATION OF CONTROL OVER THE ACTIVITIES OF SMALL BUSINESSES

3.1. Results

The experience of world development shows that, under the conditions of the economic crisis, policies aimed at helping and promoting small business development yield tangible results in achieving balanced economic growth.

Support of entrepreneurship is primarily a task of regions and cities. Having received greater independence, the regions withdrew from the guardianship of central bodies, so the task of social, economic and environmental development of the territory in the conditions of the formative market completely fell on the administration of the region and the city.

Effective market economy in the regions is possible only if in the market of goods and services monopolistic structures are counterbalanced by the necessary number of small businesses that are crucial to preserving the market and helping to solve social and economic problems. Therefore, a variety of support for the business sector in the regions and cities should be included among the leading goals of state policy implemented at the city, regional and federal levels.

Small enterprises play a decisive role in creating a market - in developing competition and limiting the monopoly of large producers, meeting the demand for goods and services, curbing the growth of unemployment, introducing new technologies, and raising the backward regions of Russia economically. Small businesses exhibit flexibility unusual for large businesses, better adapt to changing conditions, are able to work in new, rapidly developing sectors of production, solve complex social problems. Precisely because of these peculiarities of

small entrepreneurship, most of the developed countries of the West in the 1970s and 1980s started to reform the economy, abandoning the old gigantomania that suppressed natural competition and undermining the competitiveness of the national economy on the world market, and adopted an attempt to fully support small businesses.

To date, approximately 987,000 small businesses in the Azerbaijan Federation provide for the livelihood of some 40 million people. Smaller sizes, lower capital requirements, shorter lead times, smaller quantities, and the ability to quickly change product lines have ensured the creation of small businesses in all sectors and sectors of the economy - transport, services, industry, construction and trade .

For sustainable economic growth and successful economic activity in the period of the formation of the Azerbaijan economy in a civilized way of economic development, a small enterprise needs an efficient, clear and correct organization of accounting and economic analysis.

Accounting and analysis of economic activities in a small enterprise should ensure the implementation of the following tasks:

- 1) control over the availability and movement of property, labor and financial resources;
- 2) timely prevention of negative phenomena in economic and financial activities, identification and mobilization of on-farm resources;
- 3) the formation of complete and reliable information on economic processes and the results of the enterprise.

In this thesis, the following goals have been achieved:

the role and importance of accounting and economic analysis in the activities of a small enterprise are identified;

all the main accounting operations applied at the given enterprise are listed;

an economic analysis of the main performance indicators of the firm was conducted and ways of mobilizing available reserves were identified.

The diploma work shows the need for the state to support small businesses.

The share of distribution costs in the trade mark-up was 122.88%. If we compare the level of distribution costs and the average trade margin, we can see that the level of costs is 12.94%, and the average trade mark-up varies between 12-15%, therefore, the trade mark-up in the reporting period does not cover the level of distribution costs. As a result, it became necessary to establish separate items of distribution costs, which mainly affected the financial result.

During the analysis, the main item of circulation costs was identified: transportation costs. It should be noted that unjustified expenses under the item "Transportation costs" were received due to changes in fuel prices, spare parts for cars, as well as due to an increase in the tax rate from vehicle owners.

3.1.1. System of financial control over the activities of small businesses

In the management process, managers make certain management decisions that affect the internal structure of the organization and the relationship with other participants in the market.

Managers face certain risks when making a management decision. However, there are problems associated with unproductive use of resources, fraud, lack of information that need to be addressed.

The main goal of the control is to focus the management process on achieving the goals that the organization faces while minimizing the standing risks.

Control is of a dual nature. Despite the fact that it is one of the links of management, and alternates with other stages of management, the manager, when making a decision, uses control at each stage, providing an optimal level of management.

In the management of the organization, there is not a single stage that would not be related to the exercise of control.

Control is understood as the activity to establish the reliability of information received from various independent sources and to determine the causes of its distortion by comparing information about the same event or fact (Андреева,2012:19).

The concept of internal control is not new, it appeared at the beginning of the XVIII century. and eventually developed further. As a system for monitoring the activities of the organization, this concept was formed by the beginning of the twentieth century in the form of a set of three elements - separation of powers, staff rotation, use and analysis of records.

Many organizations do not devote enough time to internal control, limiting themselves only to conducting mandatory audit, inventory, or checking the execution of budgets. However, the failure of internal control can lead to the presence of uncontrolled debts, litigation with counterparties and tax authorities, even bankruptcy of the organization.

In our opinion, these problems can be avoided if an effective internal control system (JMC) is created within the organizations themselves.

The system of internal control is an important tool for managing the organization and ensuring the effectiveness of its economic activities, financial stability, increasing investment attractiveness (Винокурова,2011:23).

Internal control is an ongoing process carried out by all employees and management at all levels of the structural hierarchy and in all areas of activity aimed at providing conditions for achieving the objectives of the activity determined by the laws and codes of the RF, the laws of the subject of the Azerbaijan Federation and the charter (Гуськова:186).

The internal control in the organization is carried out on the basis of: Legislation, normative acts of the Azerbaijan Federation, the Charter of the organization, the development strategy of the organization, its organizational system, the use of information standards (RAS, IFRS).

When developing internal control rules, organizations need to take into account the main provisions that are enshrined in the following federal laws and regulations.

One of the main documents is the Federal Law No. 115-FZ of 07.08.2001 "On Counteracting the Legalization (Laundering) of Proceeds from Crime and Financing of Terrorism". In accordance with Art. 2 of this Federal Law No. 115-FZ, internal control is the activities of organizations that carry out transactions with money or other property to identify transactions subject to mandatory control and other transactions with money or other property connected with the legalization of income.

The development of internal control rules is a direct responsibility of the organization's employees, established by Art. 7 of the Federal Law No. 115 of 07.08.2001 "On combating the legalization of proceeds from crime and financing of terrorism".

The organization should establish the procedure for documenting information; criteria for identification and signs of unusual transactions, taking into account the features of the activity; ensuring the confidentiality of information, its storage and use; qualification requirements for the person in charge, training and education of personnel.

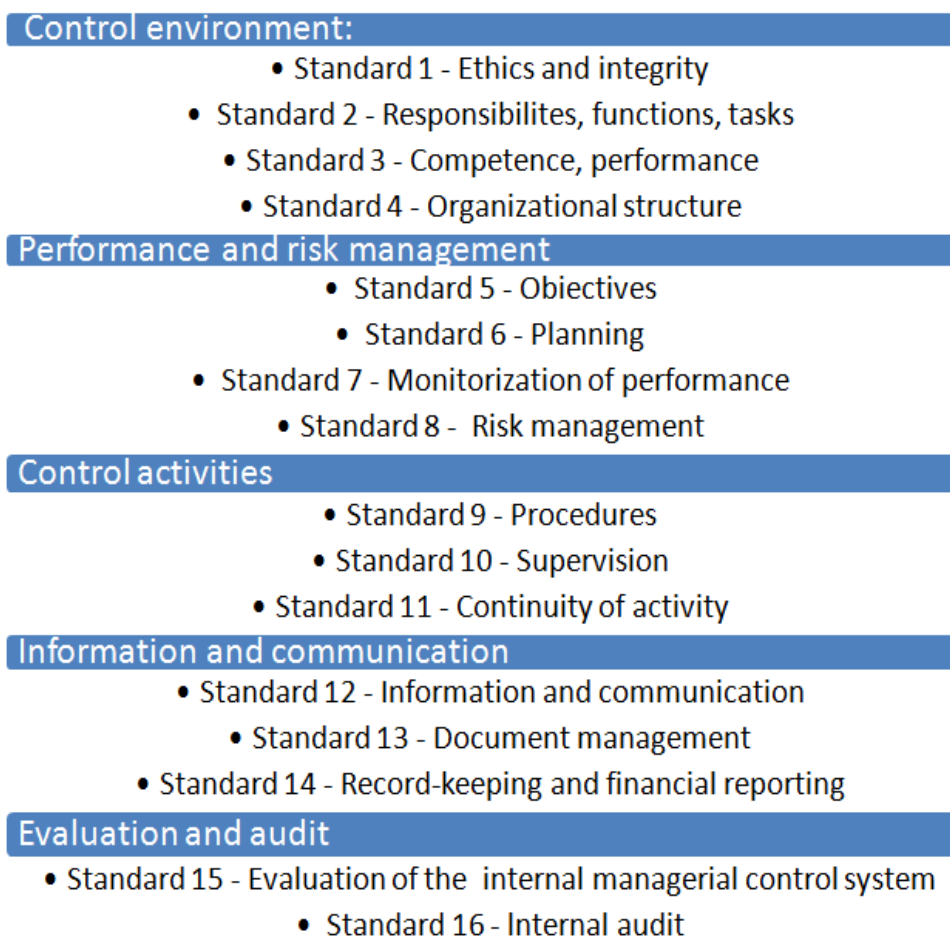
They are approved by the Resolution of the Government of the Azerbaijan Federation No. 667 of 30.06.2012 "On approval of requirements to internal control rules developed by organizations that carry out transactions with money or other property and the recognition of certain acts of the Government of the Azerbaijan Federation as invalid."

When drafting the Regulation on the requirements for the training and training of personnel of organizations engaged in transactions with cash or other property in order to counteract money laundering and terrorist financing, the order of Rosfinmonitoring No. 033 of August 3, 2010 should guide.

The Regulation on the requirements for the identification of customers and beneficiaries, including taking into account the risk of the client committing operations for the purpose of laundering proceeds from crime and financing of terrorism, was approved by the order of Rosfinmonitoring No. 59 dated 17.02.2011.

Elements of the internal control system are presented in Federal Standard No. 8 "Understanding the activities of the entity being audited, the environment in which it is carried out and the assessment of the risks of material misstatement of the audited financial statements" (as amended by RF Government Decree No. 863 of 19.11.2008, thirty). They are presented in Figure 1 (see Figure 1).

Figure 1 - Elements of the internal control system (JMC)



According to figure 1, the concept of an internal control system consists of the following important elements - a control environment, a risk assessment process, information systems, control actions, monitoring of the internal control system.

Important management functions of the organization are: to oversee the effectiveness of the internal control system and to take action in case of detection of shortcomings of this system. The introduction of the internal control system (JMC) will ensure the reliability of financial information, as well as reduce the risks of making erroneous decisions.

Development of control procedures is a rather labor-intensive work that can require company managers to review business processes,

change the organizational structure, as well as the rights and duties of employees.

After the manager or an authorized person has assessed the state of the internal control system, has calculated the audit risk and carried out the control planning, it is possible to proceed to testing the means of internal control (Проданова,2006:152).

Federal Law No. 308-FZ "On Amending the Federal Law of November 21, 2011 on Countering the Legalization of Proceeds from Crime and Financing of Terrorism" and the Code of Administrative Offenses of the Azerbaijan Federation "changed the procedure for approving internal control rules. Thus, the coordination of internal control rules by organizations that carry out transactions with funds or other property in the sphere of activity of which there are no supervisory authorities is not required with Rosfin monitoring.

3.1.2. Methodology for conducting audits of small businesses

The order of organization and methodology of audits is significantly influenced by the specificity of the industry, which includes an economic entity that has concluded a contract for the provision of audit services.

For example, audit in construction, agriculture, housing and communal services, retail organizations, public catering, associations of gas

industry, oil industry, transport, communications and others can not be the same. This is due to the fact that the order of accounting in these industries is very different. Each industry has its own chart of accounts, its industry recommendations on cost accounting for tax

purposes, etc., although the Accounting Regulations and the standard Chart of Accounts for them are common. Auditors are usually well versed in the specifics of accounting for various industries, but in most cases they also specialize in auditing organizations in a particular industry, which undoubtedly enhances their knowledge and skills in this audit industry. So, in Russia there are a number of audit organizations specializing in audit of the gas industry, housing and communal services.

At the highest level, apart from a general audit, there are audits of banks, insurance organizations that can be carried out by persons who have received the appropriate license. This is due to the fact that accounting in banks and insurance organizations is very different from the generally accepted. Thus, the specifics of accounting to some extent predetermines the specifics of the audit. At the international level, these differences are reflected in the content of such standards as MCA, setting requirements for conducting audit in banks, audit of entities using services of service enterprises and audit of small enterprises.

The purpose of PMAP 1005 "Features of Small Business Audit" is to review the main characteristics of small enterprises and determine the extent of their impact on the application of ISA. This Regulation reviews the main characteristics of small enterprises; provides guidance on the application of ISAs in the audit of small businesses; recommendations are given for conducting an audit in cases where the auditor provides services to a small company in the field of accounting.

In the section "Characteristics of small enterprises" it is noted that any entity whose ownership and management rights is concentrated in a narrow circle of persons (often one person) is called a small enterprise and to which one or more of the following characteristics may apply: a limited number of sources of income, a simplified accounting system, limited internal controls, coupled with management's ability to

circumvent such controls. This section states that an audit of a small enterprise has a simplified

and allows the auditor to use a limited number of employees in the audits.

Comments on the application of ISA are given in the sections "Responsibilities: MCA 200-299", "Planning: MCA 300-399", "Internal control system: MCA 400-499", "Audit evidence: MCA 500-599", "Auditor's conclusions and conclusion: MCA 700-799". These comments supplement, and do not replace, the provisions contained in the relevant ISAs, they take into account the features of the audit of small businesses.

MCA 210 "Terms of arrangements on audit". In some cases, the auditor may conclude that he will not be able to obtain the necessary evidence to express an opinion on the financial statements due to deficiencies specific to small businesses. In such circumstances, in countries where this is permitted by law, the auditor may not agree to an audit or refuse to conduct an audit even after assuming the corresponding obligations. In addition, the auditor can continue checking and expressing a conditionally positive opinion or refusing to express an opinion. The auditor should take into account the provisions of clause 41

MCA 700 "the Audit report (conclusion) on the financial reporting" according to which the auditor usually should not accept conditions of the arrangement on audit if they are formulated in such a manner that, in the opinion of the auditor, can cause necessity of refusal of expression of opinion.

MCA 220 "Quality assurance of work in audit". The main purpose of quality control is to ensure that audits are conducted in accordance with generally accepted auditing standards. The auditor of a small enterprise should constantly remember this goal in determining the

nature, timing, policy, and scope of procedures carried out in certain circumstances. Audit audits of many small enterprises are carried out by small audit firms. When determining the appropriate policies and procedures, such firms take into account the provisions in § 6 of ISA 220: professional requirements, skills and competence, task assignment, delegation of authority, counseling, acceptance and retention of clients, monitoring. With the possible exception of the items "assignment of tasks" and "delegation of authority", all of the above issues are usually reflected in the agreements of firms that conduct audits of small businesses. Most of the audits of small businesses are fully and completely performed by the independent auditor

as an individual entrepreneur. In such cases, there is no problem associated with the definition of tasks, the current supervision of the assistants and the verification of their work.

ISA 230 "Documentation". The procedure according to which the working documents need to reflect the arguments and conclusions on significant issues that require the professional judgment of the auditor, in practice contributes to a better understanding of the issues under consideration and ensures a higher quality of the conclusions reached. This applies to all audits, including those conducted by an individual entrepreneur without assistants. Depending on the degree of complexity of the accounting systems and internal control of the subject, various methods of documenting them can be used. However, in small enterprises, the most effective is usually documenting workflow schemes or a description of the system. The auditor of a small enterprise, on the basis of his professional judgment, determines the contents of working documents in each particular case. Nevertheless, the auditor of a large or small enterprise should reflect in the working documents the audit planning process, the audit program outlining the nature, timing and

extent of the audit procedures conducted, the results of such procedures, conclusions based on the audit evidence obtained, and the arguments and conclusions on all significant issues requiring the professional judgment of the auditor.

MCA 240 “Responsibility of the auditor on consideration of swindle and errors during audit of the financial reporting”. The attitude of the owner-manager to general control issues and the personal conduct of the current control can have a significant impact on the audit procedure. The evaluation of such influence depends on the knowledge of the activity of a specific subject and on the honesty of its owner. In the assessment process, the auditors take into account the following circumstances: does the owner-manager have certain incentives to distort the financial statements and the ability to distort reporting; Whether the owner-manager delineates between transactions made for personal purposes and economic transactions; whether the lifestyle of the owner-manager differs from the level of his remuneration; frequent change of professional consultants; whether the date of the beginning of the audit was repeatedly postponed and whether unreasonable demands were put forward to conduct an audit in unduly short terms; at the end of the year, unusual transactions that have a significant impact on financial results; unusual transactions with related parties; payments of overcharged fees and commissions to agents and consultants; disagreements with tax authorities.

Whichever method is used to assess materiality in the audit planning, the auditor reassesses the materiality in the process of analyzing the results of the audit procedures. This revaluation is based on the final version of the financial statements, including all agreed adjustments and information obtained during the audit.

MCA 400 “the Estimation of risks and the internal control”. Assess the inherent risk of a small enterprise is difficult enough, for example, the risk may increase as a result of concentration of ownership and management. However, the assessment of the inherent risk of a small enterprise depends on its specific characteristics. The auditor will be able to perform the audit much more efficiently and better if he not only accepts the high risk assumption, but conducts a thorough assessment of the inherent risk with respect to the material statements on which the financial statements are based.

Having received an understanding of the accounting and internal control systems, the auditor conducts a preliminary risk assessment of the control system at the level of approvals for each significant account balance or class of transactions. The scope of verification procedures can essentially be reduced if, after inspection and testing of controls, it turns out that they are sufficiently reliable. However, many means of internal control, acceptable for large entities, it is inappropriate to apply to a small enterprise. In this regard, one can not fully rely on the fact that the internal control system

reveals fraud or error. In small enterprises, the ability to segregate duties is severely limited, since a limited number of people can maintain a bookkeeping record, which simultaneously responds both to operations and storage of inventory items. In addition, when there are few employees at the enterprise, it is not always possible to create a system of independent verification of their work. In some cases, insufficient separation of duties and risk of errors can be compensated by other control procedures, for example, strict management control by the owner of the manager, due to his personal knowledge of the subject's activities and direct participation in economic transactions. However, this situation in turn contributes to the emergence of such risks as the

possibility of abuse and fraud on the part of management. It is especially difficult to identify possible facts of underreporting by distorting sales volumes.

In cases where the possibility of segregation of duties is limited and there is no evidence of management control over the activities, audit evidence supporting the auditor's opinion on the financial statements can only be obtained through substantive procedures. Based on his understanding of the accounting system and the control environment, the auditor of a small enterprise can make an assumption about the high risk of a control system without planning and performing detailed verification procedures (such as testing controls) to justify its assessment. Even when at first glance the controls appear to be effective, it may be more appropriate for the auditor to restrict himself to the implementation of substantive procedures.

Based on an assessment of the inherent risk and risk of the control system, the auditor determines the procedures for substantive checks that are carried out to reduce the risk of non-detection and, therefore, the audit risk to an acceptable level. In some small enterprises, especially those where most operations are carried out for cash and there is no established structure of costs and profits, the available evidence may not be enough for an undoubtedly positive opinion on the financial statements.

CONCLUSION

For the purposes of auditing rules (standards) and when planning appropriate audit procedures, audit organizations should choose the audit methodology, guided primarily by considerations of the possibility of sharing the responsibilities and powers of staff responsible for accounting, the specifics of the organization of the accounting system and document circulation of the economic entity, and not only by criteria of its reference to subjects of small business based on the type of activity, capital and the average number of employees provided for by other regulations of the Azerbaijan Federation.

During the audit of small economic entities, special attention should be paid to the following potential risk factors:

- Accounts may be kept irregularly, without consistent compliance with formal requirements, may not reflect the actual state of affairs, which increases the risk of distortions in accounting records;

- the managers of the economic entity may erroneously assume that in the course of an audit that provides for the issuance of an audit report, the audit organization will additionally provide services for restoring accounting records, correcting mistakes made, preparing accounting reports;

- due to less than in other economic entities the number of accountants for objective reasons, it is impossible to ensure proper separation of their responsibilities and authorities;

- In the context of small economic entities, a situation is possible when the accounting officers simultaneously have access to assets of the economic entity that can easily be hidden, seized or sold, which can contribute to abuse;

- If a small economic entity carries out a large number of transactions for cash, a situation is possible where revenue is not fixed or

understated (for the purpose of violating the requirements of tax legislation), and expenses are overstated (in order to spend as production costs funds directed at personal consumption of executives) ;

- With a limited number of employees who maintain accounting, it is difficult or impossible to reconcile credentials regularly, which increases the risk of errors and distortions in financial statements.

In small economic entities, an additional risk of control means arises in the use of computer data processing systems. If one computer with a simplified accounting program is used in such an economic entity, one accountant or a limited number of accountants can enter uncoordinated data into the accounting system, arbitrarily change the software shell and databases, enter operations into the system "backdating", conduct operations , not received approval or approval in due course.

The predominant influence of the owner and (or) the sole manager on all aspects of the activity of a small economic entity can have both a positive and negative impact on the internal control system and the reliability of the accounting statements of such a subject. On the one hand, the personal control of the manager can help increase the reliability of the economic entity's accounting in a situation where alternative means of internal control are difficult or impossible for objective reasons. On the other hand, the prevailing influence of the manager may contribute to the violation of generally established control procedures, increase the risk of violation of the law, facilitate the appearance of deliberate material misstatements in the financial statements.

Since the documentation of the study and assessment of the accounting system and the internal control system must correspond to the scale of the audited economic entity, for small economic entities

such documentation can be carried out in a simplified form in comparison with the documentation of other economic entities.

At the preliminary planning stage, employees of the audit organization should familiarize themselves with the accounting and internal control systems of the economic entity. If, due to the shortcomings of these systems related to the characteristics of small economic entities, it is not possible to obtain the proper audit evidence necessary to prepare a full audit report, it is advisable for the audit organization to refuse to work with an economic entity. If the relevant circumstances become clear to the employees of the audit firm already during the audit, it is advisable to suspend work with this economic entity or to prepare, based on the results of the audit, an audit report different from unconditionally positive.

Before starting an audit of a small economic entity, it is especially important to agree on the terms of the audit, the rights and obligations of the audit organization and economic entity in the contract or letter of commitment. It should be guided by the requirements of the AD AD "Rights and obligations of audit organizations and audited economic entities", PSAD No. 12 "Harmonization of audit conditions" and PSAD "The procedure for concluding contracts for the provision of audit services." It is recommended to draw the attention of the heads of the economic entity to paragraph 10 of PSAD No. 1 "The purpose and main principles of auditing financial (accounting) statements," which indicates that the responsibility for preparing and presenting financial (accounting) statements is the responsibility of the management of the economic entity, while the audit the organization is responsible for formulating and expressing an opinion on the reliability of this reporting.

As in the case of audit of any economic entities, during the audit of small economic entities, it is necessary to carefully plan the work, analyze the specificity of the subject's activity, study its accounting and internal control systems. During the audit, it is recommended to proceed from the assessment of the reliability of internal controls as "low", if there is no clear evidence of the opposite.

The standard specifies the specifics of the procedure for obtaining audit evidence during the audit of small economic entities. The audit organization, taking into account the peculiarities of audit risk in small economic entities, is recommended to proceed from the assumption that its opinion on the degree of reliability of the financial statements should be determined predominantly by audit evidence obtained during the substantive audit procedures. The audit organization in the collection of audit evidence must comply with the requirements of PSAD No. 5 "Audit evidence" and PSAD "Analytical Procedures".

During the audit of a small economic entity, great attention should be paid to obtaining formal written explanations from his management, which would confirm his understanding of his responsibility for the organization of proper accounting and preparation of reliable and complete accounting records, and, if necessary, his position on the controversial issues of accounting, reporting and taxation that arose during the audit would be expressed.

During the collection and evaluation of information on a small economic entity of an audit organization, it is necessary to take into account the specifics of the regulatory framework of such entities, including:

- simplified procedure for registration, licensing and certification of activities of small businesses;

- simplified procedure for submitting state statistical and accounting reports;
- the admissibility of the use (subject to the necessary conditions) of small business entities of independently developed forms to document business transactions and submit forms of financial statements;
- measures of state support for small business entities that affect their financial and economic activities;
- the impact of regional and local legislation on the functioning of small economic entities.

When obtaining audit evidence in the course of an audit of a small business entity using a simplified system

taxation, accounting and reporting, the audit organization, in particular, should consider:

- the reasonableness of the application of a simplified system by a small business entity on the basis of the normative criteria by which small businesses are subject to such a system;
- compliance by the small business entity with the order of reflecting business operations in the book of income and expenditure records;
- The correctness of the calculation of gross revenue or aggregate income.

The use of computers in the audit of small economic entities (in the case when such use takes place) should be carried out in accordance with section 8 of the PCAD "Carrying out audit with the help of computers".

We took into account the level of materiality at the stage of completing the audit in assessing the effect of detected distortions and violations on the reliability of financial statements.

During the audit, a number of violations were identified. When checking the operations for the acquisition of fixed assets, violations of Clause 8 of PBU 6/01 "Accounting for Fixed Assets" were detected, the original cost of the object previously in use was incorrectly determined. So the given error, has given distortion of the data of the accounting reporting on 665,24 thousand rbl., The given deviation is in a zone of admissible size of an error, however essentially distorts total indicators of the annual accounting (financial) reporting.

Also, during the audit, a qualitative error was found in accounting for settlements with founders. This violation is connected with paragraph 3 of Article 28 of the Federal Law of the Russian Federation of 08.02.1998 No. 14-FZ, where it is said that the term of payment of a part of the distributed net profit of the LLC should not exceed 60 days, after the decision to pay dividends by the general meeting of participants, if another period is not stipulated in the charter of the given company. In OOO Selstroy, the dividend payment period was 64 days.

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