

MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN

AZERBAIJAN STATE ECONOMIC UNIVERSITY

INTERNATIONAL MAGISTRATION AND DOCTORATE CENTER

**“INTERNAL CONTROL OF OPERATIONS WITH INTANGIBLE ASSETS
IN INNOVATIVE INDUSTRIAL ORGANIZATIONS”**

ON THE TOPIC

MASTER THESIS

Aliyev Hasan Rail

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**THE MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN
AZERBAIJAN STATE UNIVERSITY of ECONOMICS
INTERNATIONAL GRADUATE AND DOCTORATE CENTER**

Head of the Center

Assoc. Prof. Dr. Ahmadov Fariz Saleh

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MASTER DISSERTATION

ON THE TOPIC

**“INTERNAL CONTROL OF OPERATIONS WITH INTANGIBLE ASSETS
IN INNOVATIVE INDUSTRIAL ORGANIZATIONS”**

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**Master`s Student:
Aliyev Hasan Rail**

_____ **sign**

**Scientific Supervisor:
PhD in Econ. Eyvazov Agil Aftandil**

_____ **sign**

**Program Manager:
PhD., assoc., Prof. Valiyev Jabrayil Khalil**

_____ **sign**

**Head of the Department:
Dr.of.Econ. Prof. Kalbiyev Yashar Atakishi**

_____ **sign**

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Elm andı

Mən Əliyev Həsən Rail oğlu and içirəm ki, “Organization of accounting and auditing of foreign economic activity at the industrial enterprises” mövzusunda magistr dissertasiyasını elmi əxlaq normalarına və istinad qaydalarına tam riayət etməklə və istifadə etdiyim bütün mənbələri ədəbiyyat siyahısında əks etdirməklə yazmışam.

“YENİLİKÇİ SƏNAYE TƏŞKİLATLARINDA QEYRİ-MADDİ AKTİVLƏRLƏ ƏMƏLİYYATLARININ DAXİLİ NƏZARƏTİ”

XÜLASƏ

Tədqiqatın aktuallığı: Mövzunun aktuallığı. Açıq bazar iqtisadiyyatı şəraitində gəlir gətirən bütün anlayışlar iqtisadi dövvrə daxil olur. Müəssisənin həm makro, həm də mikro səviyyədə uğurlu fəaliyyətinin səbəbi bütün effektiv, səmərəli maddi və intellektual varlıqların və yenilikçi proseslərin istifadəsidir.

Tədqiqatın məqsədi: Qeyri-maddi aktivlərin mahiyyətinin iqtisadi baxımdan açıqlanması və onun təsnifatı;

- Mühəsibat və hesabatda qeyri-maddi aktivlərin tanınması və meyarların dəqiqləşdirilməsi.

İstifadə olunmuş tədqiqat metodları: İnnovativ sənaye təşkilatlarında qeyri-maddi aktivlərlə əməliyyatların daxili nəzarət metodologiyasını öyrənmək və xüsusi tövsiyələr hazırlamaq üçün istifadə edilmişdir.

Tədqiqatın informasiya bazası: “Azərbaycan Respublikasının Vergi Məcəlləsi “, “Mühəsibat uçotu haqqında qanunlar “, eləcə də “Milli Mühəsibat Uçotu Standartları “, “Qeyri-maddi “dissertasiyanın məlumat bazası Aktivlər “38 sayılı Beynəlxalq Mühəsibat Uçotu Standartı, qlobal İnternet mənbələri, Azərbaycan və digər ölkələrin iqtisadçılarının qeyri-maddi aktivlərin uçotu və təkmilləşdirilməsinə dair elmi əsərləridir.

Tədqiqat məhdudiyyətləri: İnnovativ sənaye təşkilatlarında qeyri-maddi aktivlərlə əməliyyatların daxili nəzarət metodologiyasını öyrənmək və xüsusi tövsiyələr hazırlamaq üçün istifadə edilmişdir.

Tədqiqatın elmi yeniliyi və praktiki nəticələri: Daxili nəzarət metodlarının, standartlarının və müəllif tövsiyələrinin hazırlanması və tətbiqi yenilikçi sənaye təşkilatlarında daxili nəzarət prosesinin birləşdirilməsinə imkan yaradır və bununla da nəzarət fəaliyyətinin keyfiyyətini artırır və əmək intensivliyini azaldır. Təşkilat tərəfindən yaradılmış və qeyri-maddi aktivlər kimi uçota alınan intellektual fəaliyyətin nəticələrinin etibarlı qiymətləndirilməsinin formalaşdırılmasına dair praktik tövsiyələr, intellektual mülkiyyətin bazar dəyərini təyin edərkən daxili qiymətləndirici tərəfindən istifadə edilə bilər.

Nəticələrin istifadə oluna biləcəyi sahələr: inkişaf etmiş ölkələrin təcrübəsinə əsaslanan qeyri-maddi aktivlərin istifadəsi uçotu və təhlili metodologiyasının təkmilləşdirilməsi, tövsiyə və təkliflərin hazırlanması, ümumiləşdirmə və qeyri-maddi aktivlərin təhlili, qeyri-maddi aktivlərin təhlili ilə xarakterizə olunur.

Açar sözlər: beynəlxalq, daxili nəzarət, sənaye təşkilatları, qeyri-maddi varlıqlar

“INTERNAL CONTROL OF OPERATIONS WITH INTANGIBLE ASSETS IN INNOVATIVE INDUSTRIAL ORGANIZATIONS”

SUMMARY

The actuality of the subject: The actuality of the subject. In an open market economy, all income-generating concepts enter the economic cycle.

Purpose and tasks of the research: Disclosure of the nature of intangible assets from an economic point of view and its classification.

Used research methods: It has been used to study the methodology of internal control of transactions with intangible assets in innovative industrial organizations and to develop specific recommendations.

The information base of the research: “Tax Code of the Republic of Azerbaijan “, “Laws on Accounting “, as well as “National Accounting Standards “, “Intangible “as the information basis of the dissertation.

Restrictions of research: It has been used to study the methodology of internal control of transactions with intangible assets in innovative industrial organizations and to develop specific recommendations.

The novelty and practical results of investigation: Development and implementation of methods, standards of internal control, and author's recommendations make it possible to unify the process of internal control in innovative industrial organizations, thereby increasing the quality and reducing the labor intensity of control activities.

Scientific-practical significance of results: The following results were obtained with scientific innovation in the dissertation:

1. Recommendations and proposals were made to make changes in accounting and financial reporting, which are the main source of information for the analysis and valuation of intangible assets in manufacturing enterprises, to bring them into line with international standards;

2. The economic nature of intangible assets, further classification specified;

Keywords: international, internal control, industrial organizations, intangible assets

LIST OF ACRONYMS

COS	Control Structure systems
COBIT	Control Objectives for Information Technologies
ISAC	Illinois Student Assistance Commission
GAAP	Generally Accepted Accounting Principles

CONTENT

INTRODUCTION	8
I CHAPTER. THEORETICAL AND REGULATORY-LEGAL FRAMEWORK OF ORGANIZATION OF THE INTERNAL CONTROL SYSTEM OF OPERATIONS WITH INTANGIBLE ASSETS	13
1.1. Problems of accounting and control of intangible assets in innovative industrial organizations	13
1.2. Intangible assets as a result of intellectual activity and an object of control...	20
1.3. Analysis of the regulatory framework for the control of transactions with intangible assets.....	31
II CHAPTER. METHODOLOGICAL SUPPORT OF THE ORGANIZATION OF INTERNAL CONTROL OF OPERATIONS WITH INTANGIBLE ASSETS	35
2.1. Methods for ensuring internal control of intangible assets in the states.....	35
2.2. Foreign approach to the organization of the internal control system	46
2.3. Development of a methodology for internal control of operations with intangible assets in innovative industrial organizations.....	55
III CHAPTER. DEVELOPMENT OF A STANDARD FOR THE INTERNAL CONTROL OF INTANGIBLE ASSETS IN INNOVATIVE INDUSTRIAL ORGANIZATIONS	64
3.1. Analysis of internal control practices for transactions with intangible assets in innovative industrial organizations	64
3.2. Development of an internal control standard "Recognition, assessment and accounting of the results of intellectual activity as intangible assets"	74
3.3. Methodological recommendations for registering the results of own scientific developments of innovative industrial organizations.....	77
CONCLUSIONS AND RECOMMENDATIONS	84
REFERENCES	89
List of Table	93
List of Figure.....	93

INTRODUCTION

The actuality of the subject: The actuality of the subject. In an open market economy, all income-generating concepts enter the economic cycle. The reason for the successful operation of the enterprise at both the macro and micro levels is the use of all effective, efficient material and intellectual assets and innovative processes. As a result, this approach leads to an increase in the efficiency of social production.

In the modern information economy, intangible assets, which are the basis of intellectual property, are beginning to play a more important role than tangible assets, which are reflected in the balance sheet of the enterprise. In comparison, enterprises with intellectual property and efficient production equipment have become the leaders of the stock market.

Most of the successful enterprises in modern times have their own

They have new technologies, knowledge, trademarks in their assets, as well as cooperate with consumers and organizations. According to some experts, the shares of such enterprises account for 70% of the total market value.

Problem setting and level of learning: Also, the total value of intangible assets may exceed the value of tangible assets, as intangible assets may be reused. As a result, intangible assets and investments in them have greater significance for the enterprise, leading to diversification of activities, production, and management efficiency.

It should be noted that the methodological and practical features and existing problems in the accounting and analysis of the efficiency of the use of intangible assets were studied by economists and researchers S.M. Sabzaliyev, H.I. Namazaliyev, GA Abbasov, SM Suleymanov, VM Guliyev, TS Zeynalov, NM Ismayilov, MI Bakanov, VV Kovolyev, V.Q. It is reflected in the works and articles of Artemenko, OV Yefimova, NV Rusak, OV Savitskaya, and others.

This is the basis for choosing a topic for a master's dissertation has been a factor.

The subject of the research is the system of internal control of operations with intangible assets in innovative industrial organizations.

The object of the research is operations with intangible assets in innovative industrial organizations.

The purpose and objectives of the study: The documents prepared by the Accounting Policy Department of the Ministry of Finance of the Republic on the system of normative regulation of accounting cover four levels; legislative, normative, methodological, and organizational.

The first group includes legislative documents: relevant laws, decrees of the President of the Republic, and decisions of the Cabinet of Ministers of the Republic.

Normative documents covering various rules of basic accounting rules are called the second group. In this regard, a foreign company that won the tender has already begun to develop appropriate standards for Azerbaijani enterprises that can meet international requirements. The primary purpose of the standards is to develop uniform rules of basic principles and concepts of accounting, uniform terminology, and uniform forms of accounting reports. The third group of normative accounting documents refers to methodological documents: instructions, recommendations, guidelines, and so on. The fourth group of working documents from the accounting policy of the enterprise in organizational matters. In recent years, some work has been done in connection with the accounting of production costs, the calculation of the cost of products. Some work has been done to solve the existing problems that manifest themselves at every step. Experience shows that the work is done does not meet the requirements of market relations, investors, creditors, and especially founders who use financial statements. Today, there are a large number of unallocated resources to address the methodological and methodological issues of accounting for production costs, both as a whole and for various economic entities. It is safe to say that the master's thesis we have studied is very weak, both theoretically and practically. In particular, the vast majority of studies have been written on the example of industrial enterprises, and the characteristics of semi-finished and semi-finished versions of accounting have been overlooked. Therefore,

we have focused on the study of these issues and tried to develop some recommendations for their solution. Based on the main principles of a market economy, the dissertation provides an existing classification of production costs in the industry, substantiates the adaptation of this classification to management accounting, principles of cost distribution, in particular, proposals for determining the real cost of industrial production. The main objectives of this study are to develop a new methodology for analyzing the accounting and use of intangible assets in manufacturing enterprises following the requirements of market relations.

It consists of the development of scientifically substantiated recommendations and proposals of theoretical and practical importance for the development and improvement of foreign experience. To achieve these goals in the dissertation, the following tasks are planned to be solved:

- Disclosure of the nature of intangible assets from an economic point of view and its classification;
- Recognition of intangible assets in accounting and reporting and clarification of criteria;
- Development of methodology for valuation and revaluation of intangible assets;
- evaluation of the methodology of accounting for the movement of intangible assets;
- preparation of conceptual and practical bases for calculation of amortization of intangible assets;
- Development of a system of indicators of profitability of intellectual property in industrial enterprises;
- Accounting for intangible assets following foreign experience research areas for improvement;

Theoretical and methodological bases of the research: "Tax Code of the Republic of Azerbaijan", "Laws on Accounting", as well as "National Accounting Standards", "Intangible" as the information basis of the dissertation

Assets" International Accounting Standard No. 38, resources of the global

Internet, scientific works of economists from Azerbaijan and other countries on the accounting of intangible assets and its improvement.

Justification of the choice of research method to be used: It has been used to study the methodology of internal control of transactions with intangible assets in innovative industrial organizations and to develop specific recommendations.

The theoretical significance of the dissertation research: consists in improving the conceptual apparatus of intangible assets, taking into account their innovative significance, developing a classification of intangible assets that meets the objectives of state programs for innovative development, criteria for the significance of technologies to identify indicators of innovative development, systematized regulatory regulation of transactions with intangible assets, taking into account the requirements of regulation of economic activities of innovative industrial organizations.

The practical significance of the dissertation research: Development and implementation of methods, standards of internal control, and author's recommendations make it possible to unify the process of internal control in innovative industrial organizations, thereby increasing the quality and reducing the labor intensity of control activities. Practical recommendations on the formation of a reliable assessment of the results of intellectual activity created by the organization and accounted for as intangible assets can be used by an internal appraiser when determining the market value of an intellectual property. The developed methodological tools for monitoring and evaluating the results of intellectual activity are of practical value for innovative industrial organizations subordinate to the Ministry of Industry and Trade of Azerbaijan, and can also be used to improve the current regulatory framework for accounting, financial and statistical reporting.

Expected scientific and practical results of the research: The scientific and practical significance of the research is characterized by the development of recommendations and suggestions for improving the methodology of accounting and analysis of the use of intangible assets based on the experience of developed countries, accounting, and analysis of intangible assets based on generalization and

comparison.

The following results were obtained with scientific innovation in the dissertation:

1. Recommendations and proposals were made to make changes in accounting and financial reporting, which are the main source of information for the analysis and valuation of intangible assets in manufacturing enterprises, to bring them into line with international standards;

2. The economic nature of intangible assets, further classification specified;

3. To generate information on intangible assets, the basic methodological principles should be based on the principles of monetary measurement, binary entry, calculation method, continuity of activity, and consistency;

4. Forms and methods of calculating depreciation on intangible assets have been clarified following international practice;

5. Scientifically substantiated and practical proposals were made to improve the analysis of the use of intangible assets, taking into account international experience.

I CHAPTER. THEORETICAL AND REGULATORY-LEGAL FRAMEWORK OF ORGANIZATION OF THE INTERNAL CONTROL SYSTEM OF OPERATIONS WITH INTANGIBLE ASSETS

1.1. Problems of accounting and control of intangible assets in innovative industrial organizations

In modern society, information and knowledge have become the defining means of labor. In global economic competition, priority is given to countries that provide favorable conditions for intellectual activity, which leads to the rapid development of sectors of the economy related to electronics, computing, information, telecommunications, and nanotechnology. The results of intellectual activity, which are granted legal protection and exclusive rights, are intellectual property. According to Professor Yu.V. Yakovets, intellectual property has the potential for the development of innovative renewal of society, increasing labor productivity, meeting the growing and increasingly complex needs of the population of the country and the world (Федоренко И.В. 2019: с.221).

Therefore, the results of intellectual activity as an effective factor in innovative development have become the object of research in economic theories.

Intellectual activity is an interconnected set of activities for obtaining and disseminating its results, providing legal protection in the form of exclusive rights to industrial designs, utility models, trademarks, databases, the topology of integrated circuits, computer programs, selection achievements, secrets of production (know-how). The listed results of intellectual activity, protected by intellectual rights and being objects of accounting in the form of intangible assets, constitute the innovative basis of intellectual activity and become significant objects of control. In the final document of the VII International Forum "Innovative Development through the Intellectual Property Market", the role of a resource that determines the success of the innovative path of development of the national economy is assigned to intellectual property (Hacıyev R.S. Səbzəliyev S.M. 2013: с.345).

The Azerbaijan is currently implementing a special innovation policy to improve its competitiveness in the world market. Innovation activity is one of the priorities of Azerbaijan state policy, which is enshrined in the Concept of long-term socio-economic development for the period until 2020 and the Strategy for innovative development of Azerbaijan-2020 (Xankişişiyev B.A. 2018: s.78).

The results of intellectual activity are objects of intellectual property and indicators of inventive activity. Innovation activity, by the law of the Azerbaijan "On Science and State Scientific and Technical Policy," is an activity aimed at the implementation of innovative projects (including scientific, technological, organizational, financial and commercial), as well as the creation and functioning of the innovation infrastructure (Stone W.E. 2019: p.417).

According to Professor G.G. Azadov, the importance of management approaches is growing sharply even in such a specific area as intellectual property, since the establishment of an innovative economy is impossible without a qualitative growth of creative activity (Parker R.H. 2018: p.365).

The indicators of inventive activity are objects of intellectual property, which require obtaining a title of protection of the Azerbaijan. These include objects with a registration system for the emergence of rights: patents for an invention, an industrial design for a utility model, and a registered trademark and service mark. According to Rospatent, the level of the technological potential of design developments is determined by such industrial property objects as inventions and utility models, so in 2015 123 829 applications for registration of industrial property objects, which is 2.65% more than in 2014. The increase in the number of applications filed for an invention was 12.92% more compared to 2014. The dynamics of the coefficients of inventive activity does not allow counting on significant changes shortly. As a result, there are pronounced tendencies of a decrease in patent activity, a low degree of patent maintenance, an insignificant number of applications for patent protection abroad (Ataşov B.X. 2019: s.5).

A high economic risk arises due to imperfect legislation in determining a reliable assessment of the results of intellectual activity in the pricing of innovative products.

The lack of substantiated methods for determining income and net profit obtained through the use of intangible assets in the form of patents causes uncertainty in economic benefits, which makes it difficult to identify reserves for increasing the efficiency of using intangible assets and their share in GDP. For the transition of the Azerbaijan economy to an innovative path of development, it is necessary to develop entrepreneurship of industrial organizations in the field of intellectual activity. In the context of our research, the Soviet experience is of interest. So in 1965, an innovation-oriented industrial organization was created for the first time, its main goals were the development, testing, and dissemination of innovations at the national level. Consolidation and effective integration of scientific and industrial resources within the framework of unified national production structures made it possible to close the gap in time between laboratory research, the creation of a prototype, its testing, implementation, and commercialization.

Based on the Soviet experience, as well as on our own research in innovative industrial organizations of Azerbaijan, it concludes that the most effective intellectual activity aimed at obtaining protectable results, timely transformation into objects of intellectual property, is possible in innovative industrial organizations as one of the priority categories of subjects of innovation. An innovative industrial organization is the main goal of its activities. creation of innovative products and ensuring the interaction of all subjects of the innovation process. intangible assets in the form of exclusive rights to the results of intellectual activity characterize the organization's activities as innovative. The study made it possible to clarify the concept of an innovative industrial organization as a subject that carries out innovative activities and provides a full cycle of production of innovative products from the generation of scientific ideas and R&D to registration of the results of intellectual activity and their use as intangible assets.

According to the results research, innovative industrial organizations are highly motivated to create "the best products" - environmentally friendly, socially significant. A prerequisite for innovative products is the criterion of science intensity, which is characterized by the use in the production of goods, performance of work, provision of services of highly qualified intellectual labor, the results of intellectual activity subject to legal protection, which from an accounting point of view means the use of intangible assets. Even though intangible assets are a necessary condition for innovation activity, and also serve as its indicator, industrial organizations do not care about the reflection of innovation indicators in reporting, which dulls external indicators of innovation. The Ministry of Finance of Azerbaijan has tasks to ensure the completeness of accounting for the results of intellectual activity, which will increase the analytical significance of the developed statistical indicators, expand the scope of their use in solving urgent problems of integrated planning and management of intellectual property at the sectoral and regional levels (Roos G., Burgman R. 2015: p.789).

Therefore, the statistical practice provides for a Republic program of observation and collection of information in the form No. 4-innovation "Information on the organization's innovative activities" (Guthrie J. 2018: p.27-41).

In this regard, innovative industrial organizations are obliged to report and provide data on the shares of innovative and high-tech products, the value and number of intangible assets, on the aggregate cost of research and development work. To generate a report on indicators of innovative activity, the following reliable information is required: the share of innovative, high-tech (science-intensive) products in the total volume of products, the growth rate of research and development work, the ratio of costs for these works to proceeds from product sales, the cost of intangible assets, including patents, know-how. The current forms of accounting (financial) reporting allow the formation of data only on intangible assets and research and development work, and to determine the share of innovative and high-tech products in the total volume of manufactured products, information from

economic reports, management accounting systems, as well as special calculation methods that require additional costs and competencies.

There is no unanimity in determining the types of intellectual activity listed in the law "On Science and State Scientific and Technical Policy", fundamental and applied scientific research does not correspond to the types of activity specified in PBU17 2002, which ensure the regulation of research, development and technological work.

Following IAS38, research activity is the search for and acquisition of new knowledge; formulation, design, evaluation and final selection of possible alternatives to new or improved materials, devices, products, processes, systems or services; assessment and final selection of areas of application of research results (Ataşov B.X. 2019: s.5).

At the same time, the distribution of the process of creating the result of intellectual activity by stages of work is extremely important for the correct write-off of costs. For all the costs of creating a result of intellectual activity to be included in the cost of an intangible asset and to be capitalized, it is necessary to form the cost price from the stage of developing the result of intellectual activity. Different interpretations of activities and concepts important for accounting lead to negative consequences: depersonalization and "dilution" of costs, which leads to a discrepancy between the cost of the costs incurred and the number of intangible assets reflected in the accounting system.

A step-by-step control of the creation of the results of intellectual activity is required, taking into account the sequential transformation of a scientific or entrepreneurial idea into research and development, passing into the stage of industrial development of the results of intellectual activity, which must be fairly evaluated and reflected in the balance sheet as intangible assets. Studying the problems of each of the stages helps to identify risks and determine the boundaries of internal control in innovative industrial organizations (table 1).

Table 1: Identification of stages and the problem of introducing into economic circulation the results of intellectual activity as intangible assets in innovative industrial organizations

Stage name	Stage problems
Identification of created and identification of protectable results of intellectual activity	Lack of a clear definition of the key term "result of intellectual activity" in accounting standards and a list of criteria that allow to unambiguously identify the result.
Ensuring legal protection of the results of intellectual activity, choosing the form of legal protection	There is a risk of disclosure of information about the obtained results of intellectual activity before identifying potential protect ability.
Market research with a view to the prospects for the commercialization of the results of intellectual activity	Lack of active, organized markets for trading patents, which increases the risks associated with investments in the development or acquisition of intangible assets.
Valuation of intellectual property objects	The legal framework for appraisal activities does not take into account the multi-criteria nature of intangible assets.
Registration of the results of intellectual activity as intangible assets	Uncertainty in the formation of costs for the creation of the results of intellectual activity, the difference in approaches to determining the types and stages of activities.
Commercialization of intangible assets	Lack of methodology for the formation of the market value of the results of intellectual activity.
Internal control of transactions with intangible assets.	Lack of a scientifically grounded methodology for internal control of intangible assets, taking into account the peculiarities of innovative activities carried out in conditions of uncertainty.

Source: http://www.lib.bbu.edu.az/read.php?item_type=lecture&file_type=pdf&file=127

At the stage of registering the results of intellectual activity as intangible assets, innovative industrial organizations must form an information base for calculating indicators of innovative activity, which is required both for making internal management decisions and for external users of various levels, and above all, for state management of the economy. The primary information base for this is accounting data. The formation of costs for the creation of results of intellectual activity within the organization takes place according to the accounting rules of several RAS and IFRS standards, the issue of registering the results of intellectual activity as intangible assets are not always successfully and promptly resolved. Besides, the results of research and development and technological work that have

not been completed and not formalized as objects of intellectual property, as well as those that have not given a positive result, cannot be reflected in the composition of intangible assets. Based on the current accounting standards, it is difficult to determine the share of intangible assets in innovative products. As a result, this becomes a problem that requires additional costs to organize special accounting. At all stages of the process of creating intangible assets in innovative industrial organizations, there are regulatory and methodological problems that prevent their involvement in economic turnover. These should include the lack of developed legislation in the field of accounting for the results of intellectual activity, the lack of a methodological basis for the development of accounting for objects of innovative activity in Azerbaijan, there are significant differences in the conceptual apparatus of the types of works of intellectual activity, the lack of requirements for documents to identify the results of intellectual activity, insufficient regulatory support of issues assessing the results of intellectual activity created within the organization and accounted for as intangible assets.

The creation of a scientifically based methodology for recording and evaluating the results of intellectual activity, as well as the introduction of effective internal control of transactions with intangible assets, will be able to ensure the completeness of accounting for the costs of creating the results of intellectual activity for the purpose of commercialization. In practice, innovative industrial organizations interested in maintaining their business positions develop their own internal control methodology. Internal control should cover all the stages and processes of creation and implementation of the results of intellectual activity considered in the work until they are officially recognized as objects of intellectual property under Azerbaijan and international legislation. capable of generating income in the future as intangible assets.

1.2. Intangible assets as a result of intellectual activity and an object of control

The development of the sectors of the world economy related to electronics, computing technology, nanotechnology, the main values of which are information, knowledge, technology, has led to a change in policy with intangible assets. Abroad, a large proportion of all assets are intangible. The presence of a civilized market allows China, the USA, and Japan to take leading positions in innovative development. They control 80% of the global high-tech market and concentrate more than 90% of the world's scientific potential, new technologies, equipment, and other products containing innovations account for 70 to 85% of GDP growth the new paradigm of the influence of the role of intellectual assets on the growth of companies, confirm that the knowledge economy is the economy of intangible assets. The well-known researcher K.-E. Sweiby actively used the term "intangible assets" and focused his attention on the innovative meaning of the results of intellectual work (Kaplan R.S. & Atkinson A.A. 2018: p.67).

In the world market, along with goods, works/services, and finance, the "fourth basket" of sales is made up of rights to results intellectual activity - intellectual property (Kaplan R.S. & Atkinson A.A. 2018: p.67).

1. "Intangible values are acquiring an ever more significant role in the economic activity of society and individual economic entities. Today it is impossible to imagine a successfully operating company that does not use such business tools as copyright, patents, know-how, research and development (R&D), trademarks (brands)", emphasizes Professor R.P. Bulyga (Abbasov S.A. 2019: s.345).

Azerbaijan's entry into the ranks of the world's technological powers required the solution of a complex optimization problem: how to make the most of the positive effects of globalization, open exchange of knowledge, ideas, technologies while maintaining state sovereignty and independence in determining promising development directions. the competitive struggle is becoming an urgent topic of national security. The current situation in the world, which led to the imposition of sanctions against the Azerbaijan, requires new approaches to the theoretical and methodological tools for monitoring intangible assets.

The analysis of the intellectual activity of innovative industrial organizations has brought to the fore the problem of the completeness of accounting for the results of intellectual activity, which, in our opinion, is intended to be dealt with by internal control. According to Professor Parker, L. D. the success of managing a modern high-tech enterprise lies in the ability to create, combine, provide protection and effectively use intangible assets based on knowledge (Parker R.H. 2018: p.365).

The subject of scholarly disputes are issues of identification, classification, accounting for the future economic benefits of these assets. This problem is largely due to the specifics of intangible assets that significantly limit their use: lack of physical fitness, possession of unique properties, low efficiency of legal protection, weak control over economic benefits, a high level of uncertainty, and the absence of an active market. Intangible assets into hard-to-measure and, accordingly, significant objects of control. One of the reasons for this is different approaches to the study of these assets in modern science. Foreign scientists pay great attention to the study of intangible assets in their works. In the economic dictionary, intangible assets are values that are not tangible objects that embody value in a physical entity but have a value, monetary value due to the possibility of their use for receiving income from them by enterprises and organizations. According to the definition of the Encyclopedia of Banking, intangible assets are special rights, grants, privileges, advantages of a company that do not have physical tangibility, which can have a beneficial effect on its activities and increase its ability to earn or make a profit. In the dictionary of the accountant J. Siegel, intangible assets are defined as objects that do not have a physical structure or are granted a right provided by the state or another company (Kaplan R.S. & Atkinson A.A. 2018: p.67).

In translations of the works of foreign scientists into Azerbaijan, the “spirit” of intellectual capital is traced in the definition of the term “intangible assets”. So, in the writings of Parker, L. D., intangible assets are defined as assets that "provide future benefits without material embodiment", as intangible sources of value that are generated by innovations, unique organizational projects (Abbasov S.A. 2019: s.345).

1. According to R. Hitchner, "Intangible assets are codified material descriptions of specific knowledge that can be possessed and, if necessary, traded" (<https://www.revistaespacios.com/a18v39n11/a18v39n11p28.pdf>).

E.S. Hendriksen, M.F. VanBreda note: for an object to be considered an intangible asset, it is necessary to comply with the definition of an asset (Kaplan R.S. & Atkinson A.A. 2018: p.67).

Analyzing the concept of "intangible assets" given by Azerbaijan scientists, first of all, it is necessary to highlight definitions containing an economic approach. So, Professor O.M. Aliyev gives the following definition: intangible assets are non-monetary capital assets, which are identified as an independent accounting object, do not have a tangible form, and consist of rights to the results of intellectual activity, with the useful use of which over more 12 months, there is confidence in obtaining economic benefits (Abbasov S.A. 2019: s.345).

According to scientists N.A.Breslavtseva, O.A.Shcherbakova, intangible assets are undetectable, do not have physical characteristics, but have a certain accounting estimate, which are subjective and hidden long-term assets that make it possible to bring economic benefits and help reduce risks (НОВРУЗОВ В.Т. 2018: с.345).

In the my opinion, the definition is controversial, since the wording "clearly undetectable assets" can be interpreted as unidentifiable, and this contradicts the conditions for recognizing an intangible asset following accounting standards. V.V.Kovalev, Vit.V. Kovalev refers to intangible assets as long-term assets that do not have a physical structure and are used by the company to obtain economic benefits.

They consider them to be unreal abstract means representing non-tradable costs, which pass into costs in the process of production and sale of products, and in the event of termination of activities, turning into losses (Кочинев Ю.Ю. 2018: с.448).

Without denying the economic component, the following scientists interpret the definition of "intangible assets" as property rights: V.N. Lopatin focuses on the terminology of intellectual law, intangible assets - exclusive (property) rights created by the results of intellectual activity or acquired, accounted for according to the rules

of identifiable non-monetary assets that do not have a material and material form, the cost of which can be reliably estimated; in respect of which there are duly executed documents confirming the existence of exclusive rights; the disposal of which makes it possible to bring economic benefits (income) to the taxpayer; which are used for a long time in the production of products, when performing work, providing services, for the managerial needs of the organization (Мельник М.В., Когденко В.Г. 2017: с.448).

A.P. Aksenov notes the primacy of rights and classifies intangible assets as long-term rights that have value and do not have material-material content, providing their owners with income (Ендовицкий Д.А., Агупова К.П. 2018: с.765).

Changing approaches to the international information space puts intangible assets into the role of information resources. So, according to N.O. Starkova, intangible assets are defined as “a set of information and intellectual factors created to form unique competitive advantages and used both in the environment and within the organization” (Ataşov B.X. 2019: s.45).

HER. Lavrishchev also believes that intangible assets are part of the information resources of an enterprise (explicit and implicit knowledge), which is at his disposal, does not have a material form, contributes to the receipt of economic benefits, and serves as a necessary condition for innovation, as well as serving as its indicator (Hacıyev R.S. Səbzəliyev S.M. 2013: s.345).

It should be noted that Beybala Xankishiyev in the definition of intangible assets recalls the innovation component, intangible assets are product innovations that stimulate process innovations and increase the consumer quality of products made with their use (Sadıqov M., Hüseynov A., Zeynalov V. 2019: s.100).

Thus, the analysis of the conceptual apparatus of intangible assets demonstrates many definitions that in different ways characterize their essence and content, quite broadly and vaguely reveal the specifics. The attention of scientists from different countries is attracted by the conceptual basis of accounting for intangible assets and their different definitions in national accounting standards that require development. Thus, Baruch Lev notes that conventional accounting does not cope well with

internally generated intangible assets such as research and development, trademarks, and employee talent, that is, those resources that are the engines of modern economic growth (Xankışiyev B. 2018: s.234).

In the UK standard, assets are rights or other means of accessing future economic benefits controlled by an economic entity as a result of past transactions or events. In assets are the probable future economic benefits that are received or controlled by an economic entity as a result of past transactions or events. Most of the standards use the method of listing objects that, subject to certain requirements, can become intangible assets, and only the standards of the UK, the United States, and IFRS provide definitions of the essence of intangible assets. One of the main tasks of accounting is to generate reliable information about the property of the company. According to Prosvirina II, until a unified methodology of recognition criteria, the procedure for assessing and reflecting intangible assets in financial statements is created, research should continue (Hacıyev R.S. Səbzəliyev S.M. 2013: s.345).

Accordingly, research should continue to bring accounting and internal control intangible assets to the requirements of a market economy and international accounting standards. In this regard, the improvement of standards for accounting for intangible assets as a result of intellectual activity and an object of control acquires particular relevance. Let us consider how the accounting support for intangible assets in the Azerbaijan is regulated. Under the international standard IFRS clause 8 IAS 38, an intangible asset is an identifiable non-monetary asset that does not have physical substance. According to the rules of IAS38 paragraph 21, an intangible asset is subject to recognition in accounting only when it is probable that the future economic benefits attributable to this asset will flow to the company and the value of the asset can be measured reliably.

The list of intangible resources according to clause 9 of IAS38 is as follows: intellectual property, licenses, scientific or technical knowledge, design and implementation of new processes and systems, market knowledge, market share, distribution rights, trademarks, software, patents, copyrights, movies, customer lists,

mortgage service rights, import quotas, franchises, customer or supplier relationships, customer loyalty. For the recognition of listed resources as an intangible asset, the standard establishes the following defining characteristics: definition of intangibility, identifiability, controllability, ability to bring economic benefits, and reliable measurement. For internal control, it is necessary to consider the definition of each attribute: - the identifiability of an asset implies the possibility of separating the asset from the enterprise for subsequent sale, transfer, licensing, leasing, and also arises from contractual or other legal rights; - control of the asset implies that the enterprise controls the asset when has the right to obtain future economic benefits from the use of the asset and to restrict the access of others to these benefits; - the ability to bring economic benefits implies that future economic benefits arising from the asset will flow to the organization. The study of the list of resources and defining characteristics by the international standard allows us to note that not all listed resources are the results of intellectual activity that can be registered as objects of intellectual property

Only a part of the resources can become indicators of innovative development.

The above list is considered open, however, to recognize an object as an intangible asset, it is necessary to comply with the following criteria of clause 3 of PBU 14/2007: the object has no material form; the object can bring the organization economic benefits in the future; the organization has the right to obtain economic benefits from the use of the asset, and there are also restrictions on the access of other persons to such economic benefits - control over the object; the possibility of separation or separation (identification) of an object from other assets; the object is intended to be used for a long time, over 12 months; the organization does not intend to sell the object within 12 months; the actual (initial) cost of the object can be reliably determined. Among the reasons for considering intangible assets as objects of control, it is necessary to name the activation of the involvement of intellectual property objects in the economic turnover, improving the quality of information generated in accounting and financial reporting by converging national accounting

rules with the principles of international financial reporting standards. Comparison of the recognition criteria methodology in the international standard.

In domestic accounting, the receipt of future economic benefits from the use of intangible assets arises only in the event of a transfer of ownership of these assets and the organization has an exclusive right to them, which is a negative factor, since non-compliance with the principle of "essence prevailing over form" established by the Concept remains. striving to organize the intellectual property market and increase the indicators of innovative

It is impossible to do without a form in the form of documents of title to intellectual property objects. For internal control purposes, taking into account the external international situation, unfair competition and the peculiarities of the internal control environment of innovative industrial organizations, registration of rights to objects classified as intangible assets is also necessary. Controllability by IFRS and control over an asset following PBU means the organization's ability to restrict access to the asset and ensure the flow of future economic benefits from the use of the asset. Legal protection of inventions, industrial designs, know-how is an important stage in the intellectual activity of an innovative industrial organization.

As noted by R.P. Bulyga, "practically every accounting asset is based on the corresponding object of civil rights of the organization and, conversely, each object of civil rights is reflected in the balance sheet as an asset" (Parker R.H. 2018: c.412).

From a legal point of view, intangible assets are represented by objects of intellectual property. The definition of intellectual property is formulated in paragraph 8 of Article 2 of the Convention Establishing the World Intellectual Property Organization (WIPO), which was signed in Stockholm on July 14, 1967. The concept of industrial property is disclosed by the Paris Convention for the Protection of Industrial Property and includes patents for inventions, utility models, industrial designs, trademarks, service marks, trade names, and indications of origin of goods, as well as the suppression of unfair competition to its objects. According to Part 4 of the Civil Code of the Azerbaijan, intellectual property applies to the results of intellectual activity and the means of individualization equated to them.

The results of intellectual activity include works of science, literature, and art; programs for electronic computers (computer programs); Database; execution; phonograms; inventions; utility models; industrial designs; breeding achievements; topology of integrated circuits; production secrets (know-how); company names; trademarks and service marks; appellations of origin of goods; commercial designations.

Taking into account the commonality of several objects of intellectual property and methods of protection of rights to the results of intellectual activity, it is customary to divide into independent modes of protection of intellectual rights: copyright regime; the patent law regime; trade secret regime; protection regime for non-traditional objects of intellectual property; mode of protection of means of individualization. The conditions for granting legal protection to the results of intellectual activity in compliance with the criteria for protection: an invention is granted legal protection if it is new, has an inventive step, and is industrially applicable; a utility model is granted legal protection if it is new and industrially applicable; an industrial design is granted legal protection if by its essential characteristics it is new and original. Industrial property is protected under the patent law regime, which regulates property relations arising from the creation and use of inventions, utility models, industrial designs, i.e. with exclusive rights exercised in the field of production. Exclusive rights are protected by granting a patent. The effectiveness of legal protection in the context of the formation and development of the information society is an international task.

The opacity of information on transactions with intangible assets, uncertainty in making management decisions allow the need to separate intangible assets into an independent object of control. One of the tasks of the programs for the scientific and innovative development of industries is to develop a strategy in the field of industrial property, to ensure the timely registration of scientific discoveries, the completeness of accounting for the results of intellectual activity for the purpose of commercialization and use in economic circulation. definitions of this concept. Thus, according to Guthrie J., internal control is a comprehensive study of the

economic activity of an organization: the legality and economic efficiency of business operations, the reliability of accounting and reporting information when compared with the actual state of the objects of control.

In the interpretation of scientists Sadıgov M internal control is an activity independent of external influence to check and evaluate its work, carried out by an economic entity or a management body in its own interests (Parker R.H. 2018: p.365).

M.V. Melnik gives the following definition: internal control is a system of constant monitoring and verification of work organizations to identify deviations, timely inform management about unfavorable situations for making decisions to eliminate or reduce the risks of activities and assess the effectiveness of decisions.

V.P. Suits believes that on-farm control covers all spheres of production and economic activities of the organization's collective and all types of activities of the enterprise's collective associated with the reproduction process (Hacıyev R.S. Səbzəliyev S.M. 2013: s.345).

A.M. It is interpreted from the point of view of accounting understanding, internal control is a structure, policy, rules, procedures to ensure the safety of the organization's assets and the reliability of accounting entries.

Alakbarov E.A believes that internal control is a type of management activity carried out to determine the quantitative and qualitative assessment of the results of the organization's work (Parker R.H. 2018: p.412).

Burtsev believes that internal control contributes to the adoption and implementation of effective management decisions (Parker R.H. 2018: p.412).

Sotnikova sees in internal control a management function in the form of system measures and continuous control actions planned and carried out by management entities to ensure the safety of assets in the process of financial and economic activities of the organization and the reliability of information reflected in accounting and reporting lack of consensus on the definition of "internal control", researchers, for the most part, agree that control is one of the management functions. Innovative industrial organizations are required to establish internal standards for

the management of intellectual property, which should define the role of internal control.

Reading the innovative direction of activity of the studied organizations and the multicriteria specificity of the object of control, we propose the following definition: internal control is a process carried out by the management of the organization, aimed at obtaining sufficient confidence that an innovative industrial organization provides timely identification of the results of intellectual

In my opinion, the existence of classification of intangible assets in an organization is one of the main elements of their management and contributes to the construction of internal control of the results of intellectual activity created by the organization. Consider the existing types of classifications of intangible assets in Azerbaijan and abroad. J. Roche proposes to divide intangible assets into the following components: intellectual capital, intellectual asset, intellectual property.

R. Rayleigh, R. Schweiss consider it convenient to classify intangible assets according to their connection with such areas of activity as marketing (brand names, trademarks, logos), technologies (patent applications, technical know-how) related to creative activities related to engineering and data processing, with customers (contracts, customer lists, relations with them), with contracts (licensing agreements, contracts with suppliers), with human capital (employment contracts or agreements with trade unions) and business reputation (Abbasov S.A. 2019: s.345).

R.P. Bulyga distinguishes the classification of objects of intangible assets according to RAS (using PBU 14/2000) and IFRS, where he dividing intangible assets into real and surrogate ones. Breslavtseva and O.A. Shcherbakov, update the list of intangible assets by the effective PBU 14/2007. T. G. Belozeroва in her classification synchronizes the requirements of civil and accounting legislation, economic and legal approaches.

N.Yu. Puzynya proposes a classification, compiled to identify the impact of intangible assets on the value of the company, in which it distinguishes three groups of these assets: systemic, unique, resulting.

VI Tumasov divides intangible assets into identifiable and non-identifiable in his classification (Hacıyev R.S. Səbzəliyev S.M. 2013: s.345).

An analysis of the existing classifications of intangible assets demonstrates the dependence of their compilation on the objectives of the study. Taking into account that intangible assets are closely related to innovation and innovative economic development of organizations, the I have compiled a classification representing the objectives of state programs for innovative development assigned to industrial organizations and associated with identifying innovative resources. For these purposes, when building a classification, it is necessary to analyze the composition of the organization's intangible assets. Allocate two groups of intangible assets: civil and defense purposes. This grouping contributes to the identification of the state significance of the results of intellectual activity. To identify indicators of innovative development, a list with intangible assets should be divided into the following groups: traditional and innovative. Intangible assets that are not involved in the production of innovative products should be classified as traditional ones. The group of innovative assets makes it possible to judge the involvement of organizations in all sectors of the economy in the program of innovative development, but they are especially important in knowledge-intensive and high-tech industries. The group of innovative intangible assets must include assets that are created in the process of innovative projects and are used in innovative products. This group should be divided into two subgroups: Group 1 consists of protectable results of intellectual activity, formed according to the following criteria of significance: - the results of intellectual activity that meet the criterion of breakthrough technologies, - if qualitatively new technical characteristics are obtained, the device (method) has a particular complexity; - the results of intellectual activity that meet the criterion of new technologies are a significant improvement in technical characteristics; the results of intellectual activity that meet the criterion of import substitution. 2 groups are created to generate information about intangible assets as indicators of inventive activity and includes patents for inventions, utility models, industrial designs, trademarks and service marks, know-how.

The proposed classification contributes to the construction of an internal control system for transactions with intangible assets and the results of intellectual activity created by the organization, and also takes into account the tasks of state programs for innovative development assigned to innovative industrial organizations and associated with the introduction of innovative results of intellectual activity into economic circulation.

1.3. Analysis of the regulatory framework for the control of transactions with intangible assets

Since Azerbaijan's accession to the World Intellectual Property Organization in 1965, state regulation of issues related to intellectual property has been carried out following the recommendations of existing international organizations. Today the intellectual property is protected by the Constitution of the Azerbaijan, is the Republic Service for issues related to the protection and legal protection of intellectual property.

Azerbaijan innovative industrial organizations often use original technical solutions and unique product samples without registration of any legal protection, do not register the priorities of rights to new technologies, pilot projects, and developments. Such a situation cannot be ignored, but it is important to take into account when defining policies, rules, and internal control procedures to achieve complete accounting, reliability, and transparency of information on the results of intellectual activity. Inefficiency and formality of the organization of internal control is a characteristic feature of domestic business. For an innovative industrial organization, the protection of intellectual property rights is becoming one of the priority areas for the development of internal control. Since July 1, 2013, Azerbaijan has become the chairman of the FATF, an intergovernmental organization that develops international standards in the field of combating money laundering and financing of terrorism, contributes to the formation of high ethical principles of doing business. In organizations with high corporate culture and effective internal control, corruption is hardly possible. On January 1, 2014, the Unified State

Information System of the Results of Research and Development Work was put into commercial operation.

This testifies to consistent measures and a certain achievement on the way to creating a unified control environment that allows to prevention and detection violations, to promote the effective involvement of the results of intellectual activity in the economic turnover.

Azerbaijan innovative industrial organizations often use original technical solutions and unique product samples without registration of any legal protection, do not register the priorities of rights to new technologies, pilot projects, and developments. According to Rospatent, only one-third of registered patents are supported by their holders by paying fees, which makes them null and void. As a result, intangible assets pass from the state of protected objects to the category of public domain and organizations lose control over the asset. Such a situation cannot be ignored, but it is important to take into account when defining policies, rules, and internal control procedures to achieve complete accounting, reliability, and transparency of information on the results of intellectual activity. Inefficiency and formality of the organization of internal control is a characteristic feature of domestic business. For an innovative industrial organization, the protection of intellectual property rights is becoming one of the priority areas for the development of internal control. Since July 1, 2013, Azerbaijan has become the chairman of the FATF, an intergovernmental organization that develops international standards in the field of combating money laundering and financing of terrorism, contributes to the formation of high ethical principles of doing business. In organizations with high corporate culture and effective internal control, corruption is hardly possible. On January 1, 2014, the Unified State Information System of the Results of Research and Development Work was put into commercial operation.

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Table 2: Intellectual activity

Level name	Accounting legislation and regulations
Legislative	Decrees of the President of the Azerbaijan and decrees of the Government of the Azerbaijan
Normative	Regulations (standards), orders for accounting and reporting
Methodical	Methodological recommendations, charts of accounts and instructions for their use, Instructions, comments, and letters of the Ministry of Finance of Azerbaijan and other departments
Organizational	Local working documents developed by the organization itself

Source: http://www.lib.bbu.edu.az/read.php?item_type=lecture&file_type=pdf&file=127

In connection with the intensification of the process of involving intellectual property objects in economic circulation, including those created at the expense of or with the involvement of funds from the republic budget or funds from the budgets of the constituent entities of the Azerbaijan, the Ministry of Finance of the Azerbaijan is working to improve the accounting rules for intangible assets.

The Republic Law "On Accounting" states that "organizations, guided by the legislation of the Azerbaijan on accounting, regulations of bodies regulating accounting, independently form their accounting policies, based on the structure, industry and other features of their activities".

An organization as an instrument of internal control of operations with intangible assets should include the following information in its composition:

1. Regulatory issues of the organization of accounting for intangible assets.
2. Classification of intangible assets of innovative industrial organizations.
3. Selection of useful lives, methods of amortization, allocation of intangible assets not subject to amortization.
4. The procedure and terms for conducting an inventory of intangible assets, service results of intellectual activity, selection of commercially significant results of intellectual activity.
5. Determination of types of value of intangible assets: initial (actual) value, current market (fair) value; assessment methods applied

6. Form of primary accounting documents for accounting for the availability, use, and movement of assets.

7. Schedule of workflow in the system of information flows.

8. Accounting information processing technology, software.

9. Distribution of responsibilities, a list of persons entitled to approval, authorization of transactions with intangible assets, and the right to sign primary accounting documents.

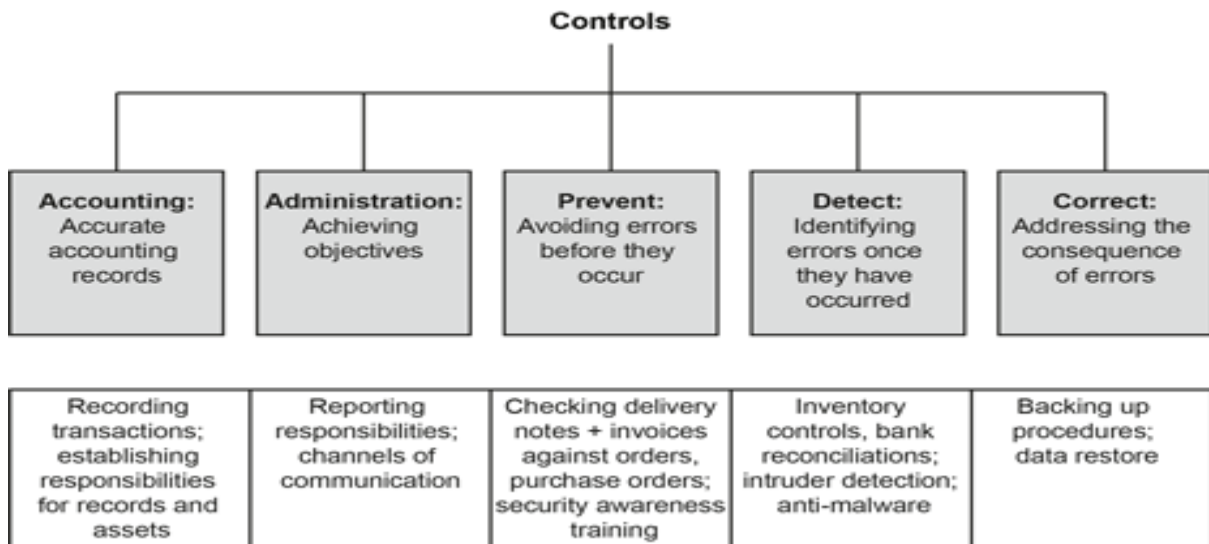
In the Research carried out in this chapter, the stages of development of internal control of operations with intangible assets of priority categories of subjects of innovative activity were identified and the problems of introducing into economic circulation the results of intellectual activity of innovative industrial organizations - balance holders of intangible assets created by their forces were identified. The emergence of these problems is caused by the imperfection of the regulatory framework, the lack of developed legislation in the field of accounting for the results of intellectual activity, the lack of a methodological basis for the development of accounting for objects of innovative activity in Azerbaijan, there are significant differences in the conceptual apparatus of the types of works of intellectual activity, the absence of requirements for documents for identification results of intellectual activity, insufficient regulatory support for the assessment of the results of intellectual activity created by the organization and accounted for as intangible assets. I have studied the complexity of the above problems. The results obtained in the course of the research in the form of an amended conceptual apparatus of intangible assets, revealing their multicriteria specificity, as well as the proposed classification, justified criteria of innovative significance, elements of accounting policy, taking into account the specifics of innovative industrial organizations, developed proposals for harmonizing the regulatory framework for monitoring operations with intangible

II CHAPTER. METHODOLOGICAL SUPPORT OF THE ORGANIZATION OF INTERNAL CONTROL OF OPERATIONS WITH INTANGIBLE ASSETS

2.1. Methods for ensuring internal control of intangible assets in the states

With the emergence of a trend towards an increase in the role and place of intangible assets in the structure of the organization's financial and business operations, the issues of the expediency of separating intangible assets into an independent director of internal control acquire special significance. The increase in the number of external and internal users of reporting and current information on the intellectual activity of the organization has led to the need for the formation of methods of internal control of transactions with intangible assets. Despite the significant work carried out at the legislative level to form the regulatory framework for the internal control system of intangible assets, today there are no necessary theoretical developments in the field of methodology for organizing and implementing internal control of the results of intellectual activity. According to the researchers, the internal control of transactions with intangible assets refers to the category of ambiguously interpreted in regulatory legal acts, professional comments, and explanations. The existing problems of accounting and control of intangible assets are considered in their works by modern Azerbaijan and foreign scientists. So, Professor R.P. Bulyga proposes a comprehensive methodology for auditing intangible assets of a commercial organization, gives an algorithm for forming the framework and information base of an object of intangible assets, offers a typical template for their audit program (Parker R.H. 2018: p.412).

Figure 1: Internal controls



Source: <https://www.accaglobal.com/ca/en/student/exam-support-resources/fundamentals-exams-study-resources/f1/technical-articles/internal-controls.html>

Professor Zh.A. Kevorkova developed a program and working documents to simplify, unify and standardize the internal audit.

N.M. Balakireva considered the risks of transactions with intangible assets.

Professor N.A. Kazakova added analysis and assessment of the cost of intangible assets to the audit program (Roos G., Burgman R. 2015: p.789).

According to BB Leontyev, the inventory of intangible assets is the initial stage of their valuation in industrial enterprises engaged in science-intensive technologies.

It was found that organizations that suffered large losses as a result of innovative activities were not efficient enough to identify, assess and manage risks, which negatively affected their activities in general. A study of the negative consequences of the lack of an internal control system for intangible assets in innovative industrial organizations revealed the most typical disadvantages: absence or irregular supervisory procedures conducted by management regarding accounting for transactions with intangible assets, lack of a clear delineation of powers to authorize and legalize transactions with intellectual property, the safety of assets, reports on violations were inaccurate or were not brought to the attention of managers, belated identification of various types abuse, use of classified information by third parties, lack of a mechanism to eliminate comments, you introduced in the

course of external audits. The listed negative examples of the absence of an internal control system lead to a low level of reliability of the accounting (financial) reporting on intangible assets, which is the reason for ineffective management of intangible assets. Innovative industrial organizations belonging to the category of economic entities operating in conditions of uncertainty and risks should organize internal control over accounting for transactions with intangible assets to achieve efficiency in the use of intangible assets, create favorable conditions to minimize existing and possible risks. The purpose of the internal control of intangible assets is to verify the validity of the formation and correctness of accounting, as well as the completeness of the receipt and safety of intangible assets following the legislative documents.

The main areas of internal control of intangible assets in innovative industrial organizations are verification of legal purity, verification of compliance with the criteria for classifying an object as intangible assets, options for intangible assets entering the organization, the correct reflection of transactions with intangible assets in accounting, reliable assessment of the initial cost; checking the calculation of amortization of intangible assets for compliance with the approved accounting policy; control of use, the safety of intangible assets, timely authorization of all operations, disposal of intangible assets.

Internal control of typical operations with intangible assets is carried out by the existing methods: inventory, audit, internal and external audits. The current methods of ensuring internal control of intangible assets at innovative industrial organizations have their advantages and disadvantages. To organize internal control of intangible assets, it is necessary to take into account the accumulated experience. The National Control Concept, The audit is recognized, which occupies an important place and is the most effective in the administrative management system since its tasks are to identify persons responsible for illegal actions prohibited by internal regulations and legislation. I.A. Belobzhetskiy defines revision as a system of special knowledge about the principles and methods of studying the legality, reliability, and economic feasibility of economic and financial operations and processes of industrial associations, enterprises, and other industrial divisions based on the use of planned,

regulatory, reporting and other economic information when checking the actual availability of objects of control.

Revision of intangible assets is a subsequent control of the correctness of the reflection of transactions with intangible assets in the accounting system and accounting (financial) statements and the existence of rights of the organization to intellectual property and the legality of the actions of the head, chief accountant and other responsible persons. -economic information about objects of intellectual property. The actual presence of intangible assets is determined based on documents of title confirming the existence of the exclusive rights of the organization to the objects of intellectual property and the identification of transactions that lead to financial losses and a decrease in work efficiency. Accordingly, intangible assets as an object of internal control must be considered based on the following goals and objectives:

- verification of legal documents based on which the organization has the right to intellectual property;

- drawing up a classification of the organization's intangible assets;

- checking the compliance of assets with the criteria for classifying an object as intangible assets in accounting.

- analysis of options for the receipt and disposal of intangible assets in the organization;

- checking the formation of a reliable estimate of the initial cost;

- checking the correctness of the reflection of intangible assets in the accounting (financial) statements;

- control of the use and safety of intangible assets, timely authorization of operations;

- verification of the formation of cost estimates when forming the initial cost of intangible assets. Information support for the audit of intangible assets are the following documents: an order on accounting policy, contracts for the sale and purchase of intangible assets, cost estimates for the creation of intangible assets by an organization, acts of acceptance of intangible assets, acts of the write-off of

intangible assets, accounting registers for accounts 04,05,08,60, card for the accounting of intangible assets, form No. NMA-1, forms of accounting (financial) statements. The sequence of the audit with intangible assets should be regulated by internal regulatory documents, subjects of its implementation. The internal auditor or internal auditor should consistently complete all audit steps by the plan. An audit of intangible assets includes the following steps:

1. Checking the correctness of the legal registration of contracts based on which the organization has the right to the object of intellectual property.

2. Checking the execution of primary documents for the acceptance of an object of intangible assets for accounting, their timeliness and correctness of reflection in the balance sheet.

3. Control over the correctness of reflection of transactions with intangible assets in the accounting system.

4. Inventory of intangible assets.

Checking by the auditor of the fact of the use of intangible assets in the activities of the organization, the profitability of the organization from these assets. Revision is the most commonly used form of follow-up. If it is necessary to carry out a single or sudden control action in a certain area of accounting for compliance with its tasks, it is necessary to identify the persons responsible for illegal actions prohibited by internal regulations and legislation and controlling the performed business transactions. The audit relies on explanations of officials, on reconciliation of documents, on the involvement of experts. The next stage is to identify inappropriate operations that lead to financial losses and a decrease in work efficiency, as well as control over the correction of previously made mistakes by officials, check the implementation of measures to eliminate violations and shortcomings identified by previous audits to correct errors and prevent their recurrence. The task of the audit is not to conduct an in-depth analysis of the effectiveness of the use of intangible assets.

The most appropriate form of control is considered to be an internal audit since it is important for an organization not only to confirm the reliability of information

about intangible assets, to identify the perpetrators but also to determine the compliance of the projected indicators with the overall strategy development of the organization. Internal audit is an independent service that provides objective assessments, provides advice, and provides important "feedback" to improve the efficiency of the process. The management's desire to obtain objective, independent and timely information about the actions of managers at all levels presents the internal audit service with more than control tasks. Internal audit is especially necessary for industrial organizations with a complex organizational structure, consisting of branches and separate divisions. According to Professor Zh.A. Kevorkova, an internal audit is a part of the internal control system for the reliability of financial statements and the efficiency of the existing internal control system, which makes it possible to objectively assess the efficiency and effectiveness of the facts of economic activity. An internal audit of intangible assets is part of the ongoing internal control process of the organization and provides an independent assessment of the adequacy and compliance with the organization's instructions and procedures. In this capacity, the internal audit function assists the owners and management of the organization in the efficient and effective performance of their duties. In innovative industrial organizations, by the Regulation on Internal Audit, a plan of various control measures is approved, which includes an audit of a structural unit engaged in innovative developments and the creation of results of intellectual activity, which are accepted for accounting in the form of intangible assets. During the internal audit, the following methods are used: authorization, verification of the effectiveness of the use of intangible assets, testing of internal control procedures for compliance with the requirements of the Civil Code, analysis of the effectiveness of internal control.

The methodology of internal audit of intangible assets consists of the following stages:

1. Planning the audit. At the planning stage, the internal auditor studies - the regulations on the structural unit, plans, and tasks facing the unit, internal instructions and regulations, statistical, management and accounting reporting; the

main regulatory documents required for verification, compliance with which provides the basis for reflecting intangible assets in accounting; standard template accounting for transactions with intangible assets, allowing the internal auditor to analyze discrepancies, identify the cause and give recommendations for improving the accounting of transactions with intangible assets; the necessary list of primary documents that serve as the basis for registering transactions with intangible assets; registers of analytical and synthetic accounting and reporting. All this allows the internal auditor to identify discrepancies in accounting, ask questions to employees responsible for operations with intangible assets, identify weaknesses in the organization of accounting and control, draw up a list of typical errors, collect audit evidence, conduct control procedures that correspond to the specifics of intangible assets.

2. The main areas of the audit are: verification and assessment of the effectiveness of internal control of intangible assets, verification of the application of procedures for assessing the risks of intangible assets, testing the reliability and timeliness of accounting (financial) statements, verification of ensuring the preservation of assets, assessment of the efficiency and effectiveness of transactions with intangible assets, their authorization, verification of compliance with legal and regulatory requirements, the functioning of specific internal control procedures.

3. Formation of a report on the results of internal audit. To formalize the result of internal audit, the report form established by the Regulation on Internal Audit is used, which contains information on the status accounting and internal control, a description of material violations distorting the reporting and reducing the degree of reporting reliability identified during the audit and proposals for their elimination. The study of internal audit as one of the methods of internal control reveals its focus on the development of recommendations aimed at improving the efficiency of asset use. Taking into account the innovative specifics, it is necessary to check the degree of readiness of the research or design development for use, the correctness of the assessment, and the level of efficiency of its application, which implies the availability of qualifications in innovation and intellectual property issues from

internal auditors. For An practice, the organization of internal audit is a new and optional activity. From the legal point of view, this attitude can be explained by the insufficient number of normative documents regulating the activities of internal auditors and the insufficient professional level of audit personnel in matters of accounting for the results of intellectual activity as intangible assets. From the author's point of view, to express an opinion on the reliability of reporting in terms of intangible assets when internal auditing needs to assess its ability to benefit the exclusive use organization. Conducting an internal audit affects, first of all, the efficiency of an external audit. By the Law on Auditing Activity, an independent audit of the accounting (financial) statements of the audited entity to express an opinion on the reliability of such statements, accounting (financial) statements of the audited entity means statements (Tyson T. 2018: p.234).

Consequently, the audit of the accounting (financial) statements of intangible assets is an independent audit of the accounting (financial) statements regarding the intangible assets of an organization to express an opinion on its reliability. An audit of intangible assets allows us to solve two problems: -an expression of an opinion on the reliability of the reporting in terms of intangible assets; -assessment of the internal control system for operations with intangible assets. According to the author, the audit of intangible assets consists of three stages: introductory, main and final. The main objectives of the introductory stage of the audit of intangible assets in an innovative industrial organization are 1. Assessment of the industry specificity of the organization. An analysis of the development of the industry is necessary to understand whether the auditee owns the situation in the industry and whether it has the appropriate personnel to respond to possible industry changes, eliminate the risk of business activities; whether it will be able to ensure the level of increased responsibility associated with the production of new types of products or services.

2. Analysis of the structure, workflow, accounting for intangible assets. Review of internal regulatory documents of an industrial organization in terms of accounting for intangible assets, the study of the provisions of the accounting policy containing the principles of accounting for intangible assets. Evaluation of compliance with the

established procedure for storing documents of title to intellectual property, checking the availability and procedure for documenting business transactions with intangible assets.

3. Assessment of the organization's internal control system, determination of the inherent risk to transactions with intangible assets, assessment and adjustment of audit risk. Required audit procedures for verifying accounting for transactions with intangible assets:

1. An audit of the organization's internal regulatory documents in terms of accounting for intangible assets includes the following operations: checking accounting policies under paragraph 40 of section RAS 14/2007, checking whether there is a separate accounting for transactions with exclusive and non-exclusive rights, analyzing the types of intangible assets of the organization, checking documents confirming the exclusive legal organization and its effect on the audited dates, control of document flow of transactions with intangible assets and keeping a register of documents of title to the organization's intangible assets; checking the safety of intangible assets

2. An audit of transactions on the receipt and creation of intangible assets by the organization itself implies the analysis of contracts, acts of acceptance, and transfer of intellectual property objects; verification of compliance with the one-time conditions for classifying objects as intangible assets under clause 3 of PBU 14 / 2007.

3. Checking the correctness of the assessment of intangible assets received for a fee, received by gratuitous transfer, contributed to the authorized capital, analysis of constituent documents, acts of commissioning.

4. Checking accounting accounts responsible for recording transactions with intangible assets, monitoring the correctness of the formation of the initial (actual) value of intangible assets created by the organization itself, analyzing employment contracts, job assignments. Checking the validity of the choice of methods for evaluating intangible assets. Analysis of the report of an independent appraiser (information on the market value of the transferred property/rights)

5. Audit of the amortization cycle of intangible assets. Analysis of the composition of intangible assets subject to amortization: title documents, acts of commissioning; depreciation calculation; verification of the reasonableness of the choice of the useful life, methods of calculating depreciation charges on intangible assets for purposes accounting; checking the correctness of the monthly accrual and documenting depreciation, calculating the amount of depreciation for intangible assets.

6. Verification of the recording of transactions for the disposal of intangible assets. Analysis of the reasons for the disposal of intangible assets, verification of operations for the disposal and write-off of intangible assets, timely execution of the act of writing off intangible assets, and an accounting card (form intangible assets-1). due to obsolescence or expiration of the term of use: donation agreements, gratuitous transfer of exclusive rights to intellectual property objects, an extract from the constituent documents of the organization, acts of acceptance and transfer of contributions to the authorized capital in the form of intellectual property objects, verification of documentary registration and legality of transactions for the sale of intellectual property objects, verification of the legal basis and documentation of the transfer of non-exclusive intellectual rights; license agreements, commercial concession agreements, acceptance certificates.

8. Audit of accounting for transactions with intangible assets. Control of documents confirming the actual use of intangible assets. Control of the correctness of the correspondence of accounting accounts. Reconciliation of the balance on the accounts of intangible assets with the balance sheet. Analysis of the completeness of the reflection of information on intangible assets to be disclosed in the accounting (financial) statements of the organization.

9. Establishing the presence or absence of an internal control system for intangible assets. Assessment of the level of professional judgment of the accountant who controls the accounting of transactions with intangible assets in solving accounting problems; assessment of the attitude of senior managers of the organization to the issue of the effectiveness of the internal control system for

operations with intangible assets; identification of reliable areas for accounting for transactions with intangible assets and areas with increased risk. Based on the assessment of the internal control system, a decision is made to conduct an inventory. An inventory of non-exclusive intellectual property rights can be included in the audit plan, or it can be carried out unscheduled.

10. Expression of an opinion on the inherent risk and risk of controls on the set of tasks solved during the audit of transactions with intangible assets. Assessment of inherent risk about transactions with intangible assets.

According to the results of the study, it was found that none of the internal control methods can do without taking an inventory. By the methodological guidelines, all intangible assets of the organization are subject to inventory. The main task of the inventory is to confirm the actual presence of intangible assets. To determine the presence of intangible assets, inventory items are counted in the form of patents, certificates, agreements on the alienation of exclusive rights to the results of intellectual activity or to means of individualization, verification of the availability of documents confirming the organization's rights to use them, comparison of the actual presence of intangible assets with the balance sheet data. The inventory reveals unaccounted for science-intensive results of intellectual activity. The information required for the formation of the register of identified, innovative intangible assets is as follows:

conformity with documents, type of title of protection, date of commencement of use, current use, indication of products in the production of which an intangible asset is used, initial (actual) cost, information on fees for maintaining a patent in force, date of expiration of use of the asset. unified forms of cards IA-1 should be supplemented as comments. The discrepancies between the actual availability of assets and the accounting data revealed during the inventory are regulated following RAS 4/99 "Financial statements of the organization".

The results of the inventory should be reflected in the accounting and reporting of the month in which the inventory was completed, and according to the annual inventory, in the annual accounting report. The need to reflect the results of the

inventory in the accounting records in the form of detected surpluses leads to the need to determine the market value of intangible assets, the inventory is of particular interest for identifying, assessing, and determining the legality of using the identified intellectual property objects in the economic or commercial turnover of an innovative industrial organization. Analysis of the existing methodological support for internal control of intangible assets showed that each method plays an important role in the functioning of the internal control system of intangible assets. According to the author, when conducting an audit in innovative industrial organizations, it is necessary to include in the program control over the reliability of determining the market value of an intangible asset and add a study of the appraiser's report to check the validity of the choice of the valuation method, and it is also impossible to exclude the possibility of examining the assessment of the results of intellectual activity on behalf of the auditor. Internal audit is focused on the board of directors and senior managers, designed to ensure timely identification of the riskiest transactions with intangible assets, provide the management of the organization with all the necessary information and contribute to improving the efficiency of using intangible assets.

Therefore, internal auditors need to have sufficient qualifications, experience, and appropriate training in innovation management issues and have an understanding of the industry situation to respond to industry changes. The conduct of an internal audit has an impact on the cost-effectiveness of an external audit. Conducting a professional audit is necessary for the view of its obligatory nature and taking into account the many criteria of intangible assets.

2.2. Foreign approach to the organization of the internal control system

The processes of integration of Azerbaijan innovative industrial organizations into the international market require the unification of the language of business communication, which implies the use of control standards that are understandable to foreign partners. In countries with developed markets, capital control has more than two centuries of history, its theoretical aspects from different angles were

considered by foreign authors. Henri Fayolle, in his famous work "General and Industrial Management" published in 1916, gives the following definition: "control is one of the management functions of a company, which consists in checking the compliance of all business processes following the adopted programs and principles established in the company. The purpose of control is: identifying errors and misconceptions, correcting and avoiding their repetition. Control applies to everything: objects, persons, and actions. For the control to be valid, it is necessary that it was carried out on time and accompanied by a sanction, however, it is not permissible to turn it into total supervision.

According to the scientist, P. Drucker "to control everything means not to control anything." Control procedures should be as simple as possible and reduced to a minimum to save labor costs and employee time.

The statements of the English scientist K. Drurit also deserve attention, control is a kind of compass through which actions can be guided employees to achieve the goals for the successful functioning of the organization. The task of control includes ensuring that the work is done and the original plans are fulfilled.

The need for internal control has been comprehensively studied by foreign authors. Curtis Weskur, a representative of the American School of Accounting, emphasizes that internal control is an important responsibility of the board of directors, but is more often used to describe how management ensures that the organization achieves its financial goals (Адамс Р. 2015: с.123).

According to economist DK Robertson, the system of internal control is the company's policy and procedures aimed at identifying and correcting material errors and preventing distortion of information that may arise in the financial statements.

Despite the great interest of scientists in the functioning of internal control, there is still no single methodological approach,

Accordingly, the study of internal control and the development of a methodological approach to its internal standardization is acquiring special relevance. Thus, by the adopted federal law "On the fight against corruption in foreign trade, 1977" US joint-stock companies are required to create and maintain

the functioning of an internal control system that provides a reasonable guarantee of the reliability of financial statements following the accounting principles of Generally Accepted Accounting Principles - GAAP.

According to the Declaration of Lima adopted at the IX Congress of the International Organization of Supreme Audit Institutions (INTOSAI), control is an integral part of the regulatory system, the purpose of which is to uncover deviations from adopted standards and violations of the principles of legality, efficiency and economy in the use of material resources at the earliest possible stage to be able to take corrective measures, in individual cases to bring the perpetrators to justice, to receive compensation for the damage caused or to take measures to prevent or reduce such violations in the future.

In recent years, especially in public companies, increased attention has been paid to internal controls to prevent fraud and abuse. The owners of foreign companies are aware of the need to introduce measures aimed at combating illegal actions into the corporate system of internal control. In this regard, it is advisable to analyze the approaches recognized abroad to studying the concept of internal control. In industrial organizations, the internal control system provides for the presence of a permanent internal auditor who provides an annual report to the board of the organization and is audited annually by an external independent audit company. By regulation N1 "Control: concepts and responsibility" of international standards created by the Institute of Internal Audit.

Institute of Internal Auditors), the purpose of internal control is to ensure the achievement of the company's goals are formulated as follows: the ability of the organization's internal control to track external and internal changes and effectively respond to them; the ability of internal control to identify even minor errors and cope with them; the ability of the internal control system to reduce the organization's costs.

Particularly important, according to the author, is that internal audit contributes to the timely identification and elimination of problem areas that negatively affect the effectiveness of the organization. At the same time, he must inform the

company's management about the identified shortcomings of the internal control system, as well as about the established deficit of control procedures. Consequently, for the implementation of the tasks of internal audit, it is essential to assess the effectiveness of the internal control system for current management.

Problems of determining the effectiveness of internal control are of primary interest. The efficiency criteria developed by the World Council of Credit Unions assign to internal control the role of guarantor of sustainable economic growth and business continuity.

Presented in the form of the following detailed rules: Accounting System - The management of the organization must apply a system of accounting that is firm in terms of control standards, which allows providing users reliable information. Written Policy and Procedure - The rules and procedures allow all employees to know what is expected of them in performing their duties; and what are the consequences of not doing the job properly.

Board Approval and Monitoring of Information - the department is obliged to request monthly accounting reports, information on ineffective investments; overdue loans; Cash Control - actions of the company's management aimed at excluding the possibility of abuse by officials with funds. Segregation of Duties - participation of several employees in an operation creates a control system and reduces the possible risk of fraud. Dual Control - safes, storage, files, and other storage devices must have two keys with dual control and the impossibility of physical access. Protection of Assets - development of policies and procedures for controlling the movement of cash; asset insurance; mandatory establishment of passwords for access to the computer system ZeroTolerance - The organization must create and maintain a culture that does not accept fraud and maintains internal control. Personnel Policies and Rotation of Personnel (Rotation of Personnel) - familiarity with this policy should be the initial training of each employee. Periodically, the functions of the employee must be changed without warning. Rotation of personnel allows employees to complete a full training program, thereby increasing the effectiveness of internal control. Succession Planning - it has been

found that the turnover of managers as a result of layoffs has a large impact on the continuity and success of the organization.

Quality Control - the board of directors should develop a system of control in the form of an internal audit to understand how well management and employees are following the rules established in the organization. Daily Posting - the obligatory organization of publication of daily performance reports for obtaining operational information. Subsidiary Records - every month the accounting staff must reconcile the reports and analytical registers of controlled accounts. Internal Reports - The company must provide the conditions for preparing internal reports necessary for making management decisions. Reviews of all faults should be recorded and discussed with management. Recording of Transactions - The company must use transparent accounting methods as prescribed by the accounting principles. Audit Trail - The organization's and system's records must be documented so that it can be considered at the start of each transaction. Audit Program - Every company has a responsibility to ensure the adequacy of the audit program. The listed performance criteria serve as the basis for the developed requirements for the effectiveness of internal control by large investors interested in maintaining their business positions. It also seems logical to develop a system of internal control carried out by the owners and management of companies in order to prevent fraud and abuse. In recent years, public companies have been paying increased attention to internal control from audit services, accountants, economists, lawyers.

In order to consistently improve the internal control system, the following documents have been developed: -instruction on the creation of an internal control structure in the audit of financial statements (SAS55) 1988, prepared by the American Institute of Certified Public Accountants (the American Institute of Certified Public Accountants' Consideration of the Internal Control Structure systems" (SAC), 1991, as amended in 1994, developed by the Institute of Internal Auditors (the Institute of Internal Auditors Research Foundation's Systems Auditability and Control); -Report "Internal Control: An Integrated Approach" (COSO), created in 1996 by the Committee of Sponsoring Organizations of the

Treadway Commission (the Committee of Sponsoring Organizations of the Treadway Commission's Internalcontrol - Integrated Framework); - standard "Objectives of control when using information technologies" (COBIT), prepared in 1996 by the Association for Auditing and Control of Information Systems ISACA (the Information Systems Audit and Control Foundation's Control Objectives for Information and Related Technology) and were intended for different users. However, all documents focus on the internal control system, pay great attention to methods for assessing controls and their testing. Comparison of the concepts of the internal control system described in these documents is of interest to all users of financial information. SAS55 and SAS78 are aimed at corporate executives and internal auditors, SAS78 defines internal control as follows: "it is a process aimed at ensuring a specified level of confidence and achieving the following goals: reliability of financial reporting, the efficiency of operations, focus on results, compliance with corporate standards, laws of the country". SAS55 emphasizes the main purpose of internal control - to ensure the reliability of financial reporting. These documents describe the impact of internal control on the planning and conduct of an audit of financial statements, list its components, and offer recommendations for assessing the impact of controls in the planning and execution of an audit of financial statements. Responsibility for the operation of the internal control system is vested in the board of directors, managers, and control service. The new version of SAS78 has updated the internal control components from SAS55: control environment, risk assessment, control actions, information, and communication, monitoring. For external auditors, SAS55 and SAS78 are mandated to understand internal policies and procedures, and therefore each of the five elements of the auditee's system. External auditors who review the financial statements for the reporting period evaluate the performance of all controls involved in this period. External auditors provide a report to managers and the control service on any identified deficiencies in the internal control system that may affect the reliability of financial statements. This shows the specificity of documents SAS55 and SAS78, aimed at reliable controls for verifying the reliability of the financial statements of

the organization. The SAC document was developed for internal auditors, provides them with additional tools for conducting and auditing control procedures. Gives the following definition of the internal control system: "a set of business processes, functions, subsystems, and users, aimed at ensuring the achievement of the company's goals and objectives". Describes its components, defines control objectives, provides multiple classifications of controls, lists risks, and the role of the internal auditor. The SAC provides five classification schemes for internal controls:

preliminary, current, and subsequent; planned and executed according to the situation; self-initiated and appointed; automatic and manual. In this case, the elements of the circuits can work both as a complex and separately from each other.

According to SAC, risks mean the following: all kinds of errors, facts of fraud and abuse, cases of suspension of the company's activities, ineffective use of the company's resources. The objectives of control are aimed at identifying and systematizing the above risks, ensuring the unity and reliability of the provided information that meets the established requirements. The responsibility of internal auditors includes ensuring the effectiveness of the internal control system, data reliability, and economical use of the organization's resources. The proposed changes to correct shortcomings in the internal control system should not lead to an excess of costs over the result. The specifics of the SAC document in its detailed guidance on controls. The COSO report provides management with recommendations on how to evaluate, create, improve the internal control system. Internal control is interpreted as an ongoing process organized by the board of directors, company management, or other personnel, designed to provide reasonable assurance that the following objectives will be achieved: performance of operations, focus on results, ensuring the reliability of accounting (financial) reporting, compliance with corporate standards and country laws. The two main objectives of the report are: to introduce a single definition of internal control that would suit different parties; propose a standard for improving the internal control system. The document guides the preparation of publicly available reports on internal control and

also provides criteria that management, auditors, and other parties can use to assess the internal control system. The report emphasizes that the internal control system is only a tool, not a substitute for effective management. The internal control system consists of five elements necessary to ensure the business objectives of the company: control environment, risk assessment, control procedures, information, and communication; monitoring. The control environment is the main component on which the rest of the components work. The COSO Report provides detailed guidance for assessing each of the five elements. For example, leadership style and management practices can be assessed by examining ways to manage and control risks. Risk assessment involves identifying and analyzing risks. To identify the risk, it is necessary to study external and internal factors. After that, it is necessary to determine the possible impact of the risk, the likelihood of its occurrence, and ways to eliminate it. Controls should be integrated into the organization's operations and include policies and procedures that ensure that people in the company perform management tasks. Management periodically checks the operation of the internal control system through special assessments and system testing. The standard controls to be tested include comparing asset availability to accounting records, training seminars, and audits by internal and external auditors. Evaluations of the effectiveness of the monitoring system can cover different amounts of data and frequency. Immediate communication to the head of the control service is provided about the identified deficiencies, after which measures are taken to eliminate them. The specificity of the document is the possibility of assessing the effectiveness of internal control at a certain point in time. The COBIT document is developed as a system that provides company managers with a tool that provides full control over the company's activities in the context of business processes.

The COBIT framework allows company management to compare their control strategy with a reference strategy, users can be confident in the correctness of their actions and an adequate level of control, and auditors advise and justify judgments about internal control. currently includes Executive Summary, Control Framework, List of Control Objectives, Audit Guidelines. The definition of “internal control” in

the document assumes that the organization has established a cascade of goals for its activities, which should be transformed into measurable tasks. COBIT categorizes employees by their skills and competencies and provides aids for their self-assessment. According to the COBIT standard, all information technology processes must be provided with aids to navigation. This implies a unified approach to the collection and analysis of information, preparation of conclusions and conclusions at all stages of management, control and audit, the ability to compare existing processes with the best practices, including industrial ones. COBIT provides definitions of controls and control objectives for specific processes and technologies, which can be useful for innovative industrial organizations. The disadvantage of COBIT can be considered the globality of the structure and the complexity of updating the control goals, by combining with other established control standards. All four documents emphasize the concept of reasonable assurance: internal control does not provide a 100% guarantee that a company will achieve its goals, but only helps management to achieve reasonable assurance about achieving goals. The documents also recognize the existing limitations inherent in internal control, since due to the cost ratio of the effect obtained, not all controls can be implemented. For example, the industry characteristics of innovative industrial organizations can cause internal controls to not be as effective as planned. Documents SAS55, SAC, COSO, COBIT have a lot in common, each of which derives from the previous one. However, there are differences, each document has its audience, goals, and depth of control. SAS55 / 78 are primarily focused on financial reporting purposes, deal with the audit of financial reporting in detail, and are intended for external auditors. SAC focuses on informational data, mostly focused on internal auditors. COSO provides broader control options for the COSO company, targeting the board of directors and managers. While COBIT is useful for a wide range of users, the main target groups are management, internal users, and auditors. The document details the controls to support the business objectives. The documents complement each other and are especially useful for internal and external auditors, lawyers, managers, and executives of the company. A huge contribution to the internal control system is the

Sarbanes-Oxley Act passed in 2002, which introduced a requirement applicable to public joint-stock companies that management should annually assess the effectiveness of the internal control system and report to the public on the results of the assessment.

For companies entering international stock markets, the following requirements of chapter 404 of the Sarbanes-Oxley Act are mandatory: identify risks, confirm compliance with control procedures and evaluate their effectiveness, eliminate deficiencies in control procedures, arrange re-checks, document the results.

The most recognized Sarbanes-Oxley Chapter 404 compliance methodology is COSO (Enterprise Risk Management Framework).

The changes that came into force in 2013 are as follows: the basic definition and five components of an effective internal control system remained unchanged, but certain additions were made and the components were disclosed in more detail and detail. Here are some of them: - formulated seventeen fundamental principles that underlie the five components of internal control and as mandatory for an effective internal control system.

2.3. Development of a methodology for internal control of operations with intangible assets in innovative industrial organizations

Analysis of the existing methodological support for internal control of operations with intangible assets led to the conclusion that use all existing control methods: audit, inventory, external and internal audit, as well as to adapt effective foreign experience in organizing internal control of transactions with intangible assets. For owners and managers of innovative industrial control turns into competencies necessary for current management activities. Contributes to the identification, collection, and analysis of information on the quantitative and qualitative characteristics of intangible assets that represent the results of the organization's intellectual activity. (Committee of Sponsoring Organizations). To build control, it is necessary to take into account the totality of innovative activities of an industrial organization, the content of internal regulations, industry standards,

other organizational and administrative documents and activities, the purpose of which is more likely to ensure the achievement of innovative goals. An internal control system is necessary both at the level of the organization as a whole and about all areas of its activity, each inventory item or business process. Its integral part is internal control of transactions with intangible assets, aimed at minimizing the risks associated with the accounting process and the formation of accounting (financial) statements in part of intangible assets. The objectives of the functioning of the system of internal control of intangible assets, according to the author's observation, are: - efficiency and effectiveness of the processes of creating and recording the results of intellectual activity as intangible assets; - ensuring the reliability of accounting (financial) statements in terms of intangible assets; - compliance with the legislation of the Azerbaijan Republic, internal standards and The main tasks of the internal control system for transactions with intangible assets are: -organization of constant and periodic monitoring of the compliance of transactions with intangible assets with the innovative goals of the organization; -implementation of constant and periodic monitoring of compliance with legislative and other regulations governing the accounting of intangible assets; -identification and assessment of risks in significant transactions with intangible assets; -development and implementation of control procedures to minimize or eliminate risks in transactions with intangible assets; -monitoring of the internal control system, which allows to identify significant aspects affecting the reliability of the system.

The internal control system, based on the COSO model, consists of five interrelated components: internal environment, risk assessment, controls, information, and communication, monitoring. Each of the components is capable of influencing the achievement of each of the three goals for intangible assets of an innovative industrial organization.

The methodology for the development of effective internal control of operations with intangible assets, according to the author, consists of the following sections:

1. Control environment The control environment reflects the management culture of an innovative industrial organization and creates an appropriate attitude of personnel to the organization and implementation of internal control. An organization demonstrates an intellectual commitment to the principles of integrity and ethical values, which is one of the most important features of the organization of internal control in general. The most notorious deficiencies in internal control were due to the shortcomings of this principle. Measures aimed at ensuring the functioning of this principle, such as training personnel in the Code of Ethics, are indirect controls that have no direct effect on the risks of distortion of financial statements. When a company does not demonstrate its commitment to the principles of integrity and ethical values, the risk increases that direct control procedures aimed at preventing or detecting misstatements of the accounting (financial) statements will not be carried out in a timely and appropriate manner. over the formation of accounting (financial) statements refers mainly to employees involved in the process of their preparation, verification, approval, which will reduce the likelihood of deliberate actions by employees and prevent material incorrect transactions. The management of the organization builds a management and reporting structure, proper separation of powers and responsibilities to achieve the set goals in terms of operations with intangible assets. The activities of each subject of control differ in approaches to control, final recipients, areas of control.

The distribution of duties, powers, and responsibilities between the employees of the scientific and technical center, the department for intellectual property management, heads of services is carried out based on the organization's staffing table and job descriptions. The organization ensures that employees are held accountable according to their internal control responsibilities to achieve objectives. If the management does not provide an understanding of the responsibility for the implementation of internal control on the part of employees, the risk of not achieving the set goals increases significantly.

The most important point is to determine the accountability of the staff responsible for authorizing transactions and adhering to the rules of accounting and

reporting standards for intangible assets. In line with the goals set, the organization demonstrates its commitment to the principles of attracting, professional growth, and retention of competent personnel. The proper functioning of internal control over the formation of accounting (financial) statements has a certain degree of risk if the employees who prepare the statements are not competent enough in matters of accounting for intangible assets.

2. Risk assessment The organization defines its internal control objectives with sufficient clarity to enable it to identify and assess the risks of achieving them. From the point of view of the reliability of accounting (financial) statements, the objectives are set by the standards governing accounting. Accordingly, no additional work is required to implement this principle. The organization identifies risks to achieving internal control objectives at all levels and analyzes the risks, creating the basis for further risk management.

3. Controls The organization selects and develops control procedures that help reduce risks in achieving acceptable level objectives. After identifying and assessing risks, it is necessary to identify, develop and implement control procedures that will ensure timely prevention or detection of material misstatements and errors. The main principle of assessing the presence and functioning of the principle is the result of testing the effectiveness of control procedures.

4. Information and communication In the process of organizing internal control of all types of transactions with intangible assets inherent in the activities of an innovative industrial organization, it is necessary to provide a single channel for informing the management of the organization on the identified risks to ensure the completeness, quality, and comparability of the information provided for each of the levels of decision-making on the effective use of intangible assets. Information systems provide subjects of internal control with complete and adequate information about events and conditions that can influence their decisions regarding intangible assets.

Computer programs provide identification, exchange, and storage of information in a timely and acceptable form for an innovative industrial

organization. A prerequisite is cross-functional interaction and coordination of structural units of an innovative industrial organization to identify risks outside the scope of their specializations. The information system used by the organization in the preparation of accounting (financial) statements must have settings that allow organizing automatic and manual control procedures for initiating, processing, and recording transactions with intangible assets in accounting. The units of information exchange are journals, reports, conclusions, acts, and one-time messages. Documentation is carried out by reflecting in the audit logs all the revealed shortcomings of internal control of operations with intangible assets to be combined into a single report for the organization as a whole. Interaction between employees should be carried out at all levels of the organization and include not only internal information but also information about external events, processes, and conditions necessary for making informed decisions and generating reports. The employee must understand his role in the internal control system and be able to communicate information to the management and shareholders of the innovative industrial organization. Communication channels between the organization and third parties should be ensured by maintaining their reliability.

5. Monitoring is a process that allows you to assess the organization of internal control, the timeliness of the work of the subjects of control, as well as making a decision on making the necessary adjustments. The monitoring process includes controls built into repetitive operations with intangible assets and the involvement of management and controllers of the organization. The organization selects, develops, and applies assessment methods on an ongoing and periodic basis to ensure that all components of internal control are in place and functioning.

This principle is generally ensured by the annual testing and assessment of the internal control system. The organization assesses and communicates information on internal control deficiencies promptly to those responsible for making decisions on corrective actions, including senior management and the board of directors, if necessary. The principle overlaps partially with the commitment to integrity and ethical principles in the control environment component: for example, failure to take

corrective action can mean not only that control continues to be ineffective, but also that the internal control system is undervalued.

6. Scope of work assets, from the point of view of internal control, is carried out within the framework of certain business processes, which need to ensure a transparent and effective control environment. Accounting is a systematic reflection of business transactions. For control to be carried out at all stages of the accounting system, it is necessary to determine the scope of work related to accounting for intangible assets. To organize internal control of intangible assets, it is important to study areas of accounting organization, including

1. Identification and assessment of sources of risk of distortion of accounting (financial) statements in terms of intangible assets.

2. Accounting accounts forming articles of accounting (financial) statements in terms of intangible assets; Identification of management statements applicable to these accounts;

3. Identification of business processes that form the main transactions with intangible assets and the corresponding accounts. When determining the scope of work on the organization of internal control of transactions with intangible assets, accounting (financial) statements for the previous and current reporting years in terms of intangible assets are used. During the year, the indicators of the accounting (financial) statements are analyzed quarterly for the relevance of the materiality and materiality levels calculated at the beginning of the year based on the financial statements of the previous year. Material accounts and reporting items are identified by analyzing accounts reflecting transactions with intangible assets. To identify material accounts, the likelihood of reflecting inaccurate data on intangible assets is estimated. The materiality level is used to determine the materiality of a financial statement account. The level of materiality allows you to set a limit on the number of misstatements on the account and reduce the risk of not detecting a material misstatement. At the time of deciding on assessing the materiality of an account, the following factors are taken into account: the composition of the account, the probability of losses as a result of errors, turnover, the complexity, and heterogeneity

of individual transactions on the account; difficulties in accounting and reporting associated with this account; the appearance during the reporting period of more transactions, requiring subjective assessment.

Documenting the internal control of operations with intangible assets is part of the process of building the internal control system of the organization as a whole. During the documentation, a narrative description of all processes affecting the material accounts of the accounting (financial) statements is carried out. The first stage of documenting the internal control of transactions with intangible assets is a narrative description of the process, where the process boundaries are determined, the process steps and their executors are described, and the workflow is determined. The following classification of the stages of the process has been adopted for documentation: Account name Management statements on transactions with intangible assets Occurrence and existence Completeness Valuation and distribution Rights and obligations Presentation and disclosure 04 - "Intangible assets"

1. Initiation - an event aimed at the emergence of the need to reflect the operation in accounting.

2. Processing is a stage of the process aimed at forming the amount that will be reflected in accounting.

3. Authorization - permission to reflect the posting in accounting.

4. Reporting - the reflection of posting in accounting. When describing the stages of the process, it is necessary to provide links to all documentation confirming the performance of operations: primary documents, unified forms, regulations, standards. If the actions within the process are regulated by regulatory documents, they must be specified.

5. Risk maps and control procedures Identification and analysis of risks about transactions with intangible assets allow to identify the following main risks: - risk of violation of the confidentiality regime when creating the result of intellectual activity within the organization; - the risk of distortion of accounting (financial) statements; - the risk of violation of legislation.

When assessing the materiality of the risk of misstatement of financial statements, it is necessary to take into account such factors as the probability of misstatement and the maximum allowable amount of risk. When assessing the likelihood, one should take into account the likelihood of misstatement of the amount on the financial statement line, out-of-system processing of transactions with intangible assets, complex transactions related to the valuation of an intangible asset, whether there are transactions based on incorrect primary documents, a large number of transactions at the end of the reporting period, changes in regulatory or the economic environment. The maximum amount that could be misstated for the line item in the financial statements to which the risk is associated. The amount of possible misstatement can be determined by the amount of the accounting (financial) statements in respect of transactions with intangible assets, the amount of financial and business transactions for the year. The following options for responding to risk are possible:

- risk aversion - implies a refusal to perform certain transactions with intangible assets, abandonment of high-risk assets;

- Risk reduction - Risk control and prevention, control procedures are aimed at reducing the likelihood of a risk event and reducing potential damage from the occurrence of a risk event to an acceptable level;

- risk-taking - is applied in cases where the level of risk is at an acceptable level for the organization or the impact on this risk is impossible or economically ineffective. After determining the amount of possible distortion, the impact of the distortion on the accounting (financial) statements is assessed based on the calculated level of materiality and materiality for transactions with intangible assets.

6. Control procedures After the procedure for identifying risks and determining their significance, it is necessary to develop and document the necessary control procedures. Control procedures are actions aimed at covering risks. As a result, control procedures should cover all significant risks of processes with intangible assets, confirm the correctness of the data that led to the formation of accounting (financial) statements, and confirm the compliance of the organization's activities

with the current legislation. Direct control procedures - analysis of deviations of actual indicators from the data reflected in the statements, on which can be relied upon to prevent and detect misstatements in the financial statements. Lack of direct control implies that material misstatement will not be prevented or detected promptly. Indirect control procedures are necessary to ensure the principles of the control environment, such as oversight of reporting by the Board of Directors, the Audit Committee, and the Audit Commission has an indirect effect on the risks of material misstatement financial reporting, however a lack of indirect control implies that there is an increased likelihood that direct control will not work. When developing a control procedure, the following aspects are considered: whether control procedures are effective to prevent identified risks, the frequency of the control procedure, the segregation of responsibilities about the process under control, it is important to take into account the knowledge and experience of the people involved in the control, use only reliable information when exercising control, correctly choose the time covered by the control procedure.

III CHAPTER. DEVELOPMENT OF A STANDARD FOR THE INTERNAL CONTROL OF INTANGIBLE ASSETS IN INNOVATIVE INDUSTRIAL ORGANIZATIONS

3.1. Analysis of internal control practices for transactions with intangible assets in innovative industrial organizations

One of the leading innovative industrial organizations of the "Baku Machine-Building Plant" TASC. The industrial organization of JSC "Baku Machine-Building Plant" TASC by order of the Ministry of Industry and Trade of Azerbaijan is included in the consolidated register of organizations of the military-industrial complex. In 2015, "Baku Machine-Building Plant" TASC completed the state defense order, which accounts for more than 80% of the enterprise's production program. The period of the Company's activity in the relevant industry: production of defense products - 53 years; production of civilian goods 26 years; production of equipment for the petrochemical industry and fuel and energy complex -25 years; production of boilers, boiler units, mini-boiler rooms - 6 years. In the production of liquid-propellant sea-launched ballistic missiles, as well as in the production of upper stages of the DM type, "Baku Machine-Building Plant" TASC is the only manufacturer and supplier in the Azerbaijan Republic.

The report on the implementation of the innovative development program of "Baku Machine-Building Plant" TASC for 2015 was approved at a meeting of the board of directors and reflects the assessment of the achievement of the planned KPI value and the progress of the following program activities:

1. Measures in the field of mastering new technologies (modernization).
2. Research and development and the use of their results.
3. Activities for the creation and development of research infrastructure and bench testing base.
4. Measures to improve innovation management and business processes.
5. Measures in the field of development of interaction with subjects of the external innovation environment.

6. Assessment of the implementation of key performance indicators of the Innovative Development Program of "Baku Machine-Building Plant" TASC in 2015.

Current liquidity is 222.9% and is determined by the current liquidity ratio. It is calculated by the ratio of the company's current assets (line 1200 of the balance sheet) to short-term liabilities (line 1500 of the balance sheet) and is K2.23, with an acceptable value of $K > 2.0$. Provision with own funds is 27.3% and is determined by the ratio of own and borrowed funds, which is $K = 0.27$ with a recommendation of at least 0.7. It is calculated by the ratio of the size of equity capital (line 1300 of the balance sheet) to long-term and short-term liabilities (line 1400 + line 1500 of the balance sheet). ... It is calculated by the ratio of the amount of equity (line 1300 of the balance sheet) to the balance sheet currency (line 1700 of the balance sheet). The financial stability ratio shows the proportion of funding sources that can be used for a long time and is $K = 0.64$. It is calculated by the ratio of the size of equity and long-term borrowed capital (line 1300 + line 1400 of the balance sheet) to the balance sheet currency (line 1700 of the balance sheet). Equity capital covers production investments by 110.9%, which is characterized by the investment ratio. It is calculated by the ratio of the size of equity (line 1300 of the balance sheet) to non-current assets (line 1100 of the balance sheet). The net assets of the enterprise at the end of the reporting period are equal to 2,124,741 thousand manat i.e. not lower than the amount of the authorized capital (1,121,842 thousand manat). Profitability for the company in 2015. amounted to 6.9%, including: special products -3.5%, civilian products -7.8%. the net profit of the company with branches amounted to 71,980 thousand manat.

At the beginning of the reporting year, the company's balance sheet includes objects of intellectual property, the initial cost of which is 1,385 thousand. manat. The method for calculating the amortization of intangible assets is linear. The amount of depreciation accrued on intangible assets for 2015 amounted to 177 thousand manat. The residual value of intangible assets at the end of the reporting period is 624 thousand manat. The balance sheet of the Company (line 1110)

includes the state duty for the extension of the term of exclusive rights to trademarks for 19 thousand manats, the state duty for registering an application for the grant of a patent for a utility model -1 thousand manats. The company's balance sheet (balance line 1120) includes the costs of unfinished and unregistered research and development in the amount of 40,291 thousand manats. The cost of R&D innovation activities in 2015 amounted to 326,209 thousand manats. Financing of the work was carried out at the expense of the republic and regional budgets - 325,759 thousand manats, customer funds - 450 thousand manats. In 2015, the Company continued to carry out development work on promising defense topics, which will determine the main volumes of the enterprise's workload. As a result of the ongoing reconstruction of production, the basic technologies will be completely updated, high-performance modern equipment will be introduced, which lays the foundation for the sustainable development of Baku Machine-Building Plant" TASC for the future. Possible directions of the Company's development, taking into account the market development trends and the Company's potential:

1. Rocket and space technology - state defense order.
2. Civilian products: suspended equipment designed for horizontal drilling, devices for cleaning convective heating surfaces of powerful power boilers, non-standard equipment, special tools, cryogenic products.

The Company has created a risk management and internal control system aimed at ensuring an objective, fair and clear view of the current state and prospects of the Company, the integrity, and transparency of reporting, confidence in achieving the assigned

The Society of Purposes. The company has developed and approved the Regulation on the Internal Control Bureau. The responsibility for the organization and state of internal control in the Company is borne by the executive body - the general director. Before drawing up the annual financial statements based on the order of the General Director by the requirements of the "Regulations for the maintenance of accounting and financial reporting in the Azerbaijan Republic", approved by the order of the Ministry of Finance of the Azerbaijan Republic dated

July 29, 1998. An inventory of property was carried out, including the results of intellectual activity, intellectual property, and intangible assets. The Company has analyzed the current management system and control mechanisms. The Board of Directors of the Company carries out strategic management of the Company, determines the basic principles and approaches to organizing risk management and internal control system in the Company, controls the activities of the General Director, carries out general management of the Company, except for resolving issues, referred to the competence of the general meeting of shareholders. A special place among the innovative organizations of the region and Azerbaijan as a whole is occupied by the Joint The main activities of the Company following the Charter are: scientific, scientific, technical, and applied research in the field of creating space systems and their components; design, development, manufacture, operation, and sale of satellite systems for various purposes, satellites, satellite platforms (service systems modules), payload modules and target equipment, on-board control systems, power supply systems, orientation and stabilization, thermal control, navigation, and orbital motion control systems, ground and satellite antenna devices and systems; design, development, manufacture, purchase, testing, and sale of spacecraft elements, including onboard systems, onboard devices, assemblies, mechanisms, structures, electrical radio products, materials, algorithms, software, documentation, and files for the manufacture and operation and other activities. In the organizational structure of ISS JSC there are the following subsidiaries: OJSC SPC Polyus - the main activities are: scientific research and scientific and technical activities on theoretical and experimental research, creation, development, production, operation (application) of electric power and electromechanical systems, instruments, electrical machines, electrical equipment for the rocket, space, aviation, shipbuilding, and other industries; scientific research and scientific and technical activities in the field of mechanical engineering for the fuel and energy complex, transport, environmental protection and ecology, agro-industrial complex, light and oil and gas industries and other sectors of the people bottom farm; medical and preventive activities.

JSC "NPP" Geofizika-Kosmos "- the main activities are: carrying out research and development work in terms of creating highly sensitive equipment for special purposes (including for rocket-space complexes and orbital systems); manufacturing scientific and technical products in terms of highly sensitive special-purpose equipment (including for rocket and space complexes and orbital systems), as well as its maintenance during operation. OAO NPP Kvant - the main activities are: research and development in the field of natural and technical sciences; production of semiconductor elements, devices, including photosensitive and optoelectronic, mounted piezoelectric crystals; production of chemical sources of current (accumulators, primary cells, and batteries from them); production of instruments and apparatus for automatic regulation or control (centers or automatic control panels); activities related to ensuring military security; testing and analysis of physical properties of materials and substances. LLC firm "TRIINVEST" - the main activity is research and production activities for the development of technology and the development of experimental and custom-made types of metal knitted fabrics for technical purposes. ZAO NPP "Medicon" - the main activity is research and production activities for the production of medical diagnostic and therapeutic equipment, navigation, meteorological, geodetic, geophysical instruments, and instruments. LLC "Center for Prospecting Research JSC" ISS "- the society carries out exclusively research activities. Research activity is understood as the implementation of research, development, and commercialization of their results in the field of telecommunications and navigation systems in the field of space technology. For reliability of information and compliance with the level of materiality, the following rules have been adopted when filling out the accounting firms in the balance sheet on line 1190 "Other non-current assets" of Section I "Non-current assets", the value is deciphered: creation (acquisition) of intangible assets, - the cost of performing R&D, recorded on account 08 - "Investments in non-current assets". Based on the principle of continuity and consistency of the company's activities, in the accounting statements of the Company in form No. 1 "Balance

sheet", line 1190 includes the number of advances issued in connection with the implementation of capital investments and for the purchase of equipment.

The analysis of innovative industrial organizations of the "Baku Machine-Building Plant" TASC confirmed the definition proposed by the author that an innovative industrial organization sets goals and is able to ensure a sequence of stages in the creation of innovative products and clear interaction of all subjects of the innovation process: from the stage of generating ideas and research and development work to industrial development. and the sale of innovative products containing the results of intellectual activity, accounted for as intangible assets. However, the absence of internal standards and regulations on internal control of the results of intellectual activity, intellectual property and operations with intangible assets was revealed. Based on this conclusion, an internal control standard "Recognition, assessment and registration of the results of intellectual activity as intangible assets" was developed.

Development of an internal control standard "Recognition, assessment, and accounting of the results of intellectual activity as intangible assets" This standard was developed to provide methodological support for internal control of intellectual property objects and the results of intellectual activity obtained during the performance of research, development and technological work for identifying commercial significance, determining a reliable estimate of value, for registration as intangible assets and commercialization of rights. It is intended for use in innovative industrial organizations of the scientific and technical sphere within the framework of internal control, to help project managers in making decisions on choosing a method of legal protection, in assessing damage as a result of a violation of exclusive rights to intellectual property objects of innovative industrial organizations. This standard builds on the existing regulatory framework by the Civil Code and accounting standards in the field of intangible assets for their assessment and control. It promotes the formation of a structure responsible for intellectual activity in an organization, consisting of the head of the organization, the expert council, the intellectual property department, the patent department, the information department.

of the internal control department, identifies the need to identify responsible employees, the level of competence. The standard is subject to the adaptation of the approach to internal control outlined in it, taking into account the specifics of the organizational and functional structures and processes of functioning of innovative industrial organizations. By the definition that an innovative industrial organization sets goals and can ensure the sequence of stages in the creation of innovative products and clear interaction of all subjects of the innovation process: from the stage of generating ideas and research and development to industrial development and sale of innovative products containing the results of intellectual activity accounted for as intangible assets. The goals and objectives of the internal control standard are intended to streamline the following:

- to simplify the identification of the results of intellectual activity;
- to describe the approach to determining the scope of work on recognition, assessment, and accounting as intangible assets;
- to identify the prospects for the commercial implementation of rights to the results of intellectual activity;

- to reduce the probability of pr claims of third parties, fines;
- to eliminate the risk of inconsistency with the current legislation. Verification of the correctness of the reflection on the accounts of transactions with intangible assets. Control over the formation of the initial cost of intangible assets created by an industrial organization, analysis of labor contracts, job assignments, certificates for trademarks, and service marks. Verification of the correctness of the valuation of intangible assets, the compliance of the choice of valuation methods to use intangible assets. Internal control of the identification, registration of the results of intellectual activity, obtained during R&D and accounting as intangible assets, includes the following stages:

1. Checking the procedure for the approval of documents related to the results of intellectual activity and the requirements for them.

Check the existence of separate accounting for state contracts and agreements for the implementation of R&D, under the terms of which the results of intellectual

activity can be created. If according to the terms of contracts and agreements for the implementation of R&D, the right to obtain a patent belongs to the Customer, upon receipt of a result in respect of which legal protection is possible, its transfer to the Customer must be formalized by an act of acceptance and transfer of rights to obtain a patent. Materials for drawing up an application for a patent must be attached to the act of transfer and acceptance. Availability of timely issued notifications on the procedure and method of distribution of rights to the results of intellectual activity and means of individualization, the correctness of execution and inclusion of the following details: number and date of the state contract, number and date of the R&D agreement, R&D topic and procedure for the distribution of rights to the obtained result of intellectual activity, and means of individualization, according to the terms of contracts, agreements. It is not allowed to transfer to the customer the results of intellectual activity that are subject to legal protection without notifying the department dealing with intellectual property management. You must make sure that a register of controlled results of intellectual activity is entered, a timely check is carried out for the presence of results of intellectual activity, a notification on the creation of new ones subject to legal protection is issued promptly.

2. Verification of the correctness of registration of service and initiative results of intellectual activity. The author of the result of intellectual activity is an employee whose creative work has created the result of intellectual activity. The service result of intellectual activity is created by an employee in connection with the performance of his job duties or a specific task of the employer (Ələkbərov Ə.Ə. 2018: s.5).

Check the correctness of registration of notifications for service and initiative results of intellectual activity. While creating service result of intellectual activity, a notification is drawn up in the form Notification of the creation of a service result. The notification must contain the obligatory details: name, category, information about the state contract (agreement), the topic on which the result of intellectual activity was created, the stage of implementation of the state contract (agreement), an indication the object of equipment in which the created result of intellectual activity will be used, information about the authors. When creating an initiative

result of intellectual activity and an employee decides to transfer the exclusive right of the organization, a notification is issued in the form of Notification of the creation of an initiative result. The notice must contain the name, category, scope, information about the authors.

Make sure that it is not allowed to indicate as authors persons who have not made a creative contribution to its creation. The following factors are taken into account that is not considered a creative contribution and are not a reason for inclusion in the composition of the authors: issuing an assignment, providing technical, consulting, organizational or material assistance or assistance, for example, in drawing up drawings, making models, preparing an application for the issuance of a title of protection.

3. Verification of compliance with the regulations when choosing the legal protection of the result of intellectual activity and its appropriateness. The results of intellectual activity that meet the criteria for protection may be issued title of protection: patents, certificates certifying priority, authorship, and exclusive rights to intellectual property. The conditions for the granting of legal protection are the criteria for proprietary protection: an invention is granted protection if it is new, has an inventive step, and is industrially applicable; for a utility model, legal protection is granted, if it is new and industrially applicable, to an industrial.

A design is granted legal protection if, by its essential characteristics, it is new and original. The organization has the right not to receive documents of title and keep the information constituting the secret of production (know-how) in a commercial secret. The examination for protection is carried out by specialists of the intellectual property management department with the participation of authors and includes the following stages:

- joint verification of the application materials by the specialists of the department and authors to increase the likelihood of obtaining a title of protection. When checking jointly, authors must provide missing materials, provide explanations, explain formulas, terms and respond to requests from experts examining the substance of the materials;

- checking the application materials for compliance with the requirements of Azerbaijan and international legislation and drawing up the application materials for issuing a title of protection by with the Civil Code of the Azerbaijan Republic and international legal acts in the field of intellectual property. After the examination for the protection capacity, a decision is made on the expediency of using the result of intellectual activity in the interests of the organization, the choice of the form of legal protection, a patent, or a secret of production is made. The types of decisions may be as follows: To obtain a title of protection in the Republic Service for Intellectual Property; - the decision to keep information secret and the introduction of the "know-how" regime about the result of intellectual activity. All the necessary documents for deciding on the method of legal protection must be drawn up by the internal standard for the management of the intellectual property.

It is necessary to check the observance of the sequence of actions when deciding on the method of legal protection and establishing the following facts: compliance of the result of intellectual activity, the declared category according to the order of the head of the organization, the significance of the result of intellectual activity for the organization, the possibility of use and the expected terms of use, compliance of the result of intellectual activity with the declared topic, state contract (agreement), the sufficiency of the submitted materials for registration of exclusive rights to the created object. If information constituting a trade secret is classified as information constituting a commercial secret, it is necessary to check the execution of the relevant regulatory documents on the procedure for handling information constituting a commercial secret. The agreement on the payment of remuneration to the authors is concluded at the time of filing the application. The form of the contract is established by order of the head of the organization.

4. Checking the availability and completeness of the procedure for establishing the significance of the result of intellectual activity for the organization. Assessment of the significance of the result of intellectual activity created by the organization itself is a step-by-step process. The main indicators affecting the assessment are: - actual costs; -used base for comparison; -technical and economic indicators; -the

profile of the needs of the evaluated result of intellectual activity, its impact on the quality, technical and technological level of products or the quality of services provided; -degree readiness for commercial use. It is important to start checking the significance stage with the correctness of the formation of costs for the creation of the result of intellectual activity. We are checking the execution of agreements on the payment of remuneration to authors, the form of the agreement is established by order of the head of the organization, the moment of conclusion of an agreement on the payment of remuneration should be established by an internal standard.

When checking, it is necessary to establish the correspondence between the amount of remuneration for the creation and the category of the significance of the result of intellectual activity. The amount of remuneration is formed according to the following criteria for the significance of the results of intellectual activity:

- results of intellectual activity that meet the criterion of breakthrough technologies - if qualitatively new technical characteristics are obtained, the device (method) has a particular complexity;

- the results of intellectual activity that meet the criteria of new technologies is a significant improvement in technical characteristics.

The following types of remuneration are provided:

- for the creation of utility models, inventions, industrial designs, topologies of integrated circuits;

- for the use of utility models, inventions, industrial designs, computer programs, databases data.

3.2. Development of an internal control standard "Recognition, assessment and accounting of the results of intellectual activity as intangible assets"

Determination of the degree of readiness of the result of intellectual activity for commercial use, as the probability of commercial success (Wu), that is, receiving benefits from its use over the existing analogs, selected as a basis for comparison. At the stages of selection of ideas and implementation of breakthrough studies, efficiency calculations are not highly reliable due to incomplete information about

the expected results and their areas of application, the uncertainty of price characteristics, the risk of not receiving the expected result by the end of development in the form of a protectable result of intellectual activity. scientific development is based on probable assumptions. At the stage of R&D completion and analysis of the results obtained, the assessment of the R&D efficiency should be more accurate, since more complete and reliable information is used on the technical and economic indicators of the developed facilities, on their areas of application, and more accurate capital and the current costs of the innovation project. The implementation of R&D and obtaining the expected results from them occurs under conditions of uncertainty, in the absence of complete and accurate information about technical, financial characteristics of R&D results. The likelihood of commercial success depends significantly on the stage of development of the invention, on the degree of readiness for use. As a rule, innovative industrial organizations distinguish between the following stages: -invention at the "idea" stage, there is no information about experimental verification in the authors' reports, the justification of the advantages is theoretical, the probability of success is -0.25%; reports of the authors there is information about experimental approbation, and the result in the form of a prototype, the probability of success is -0.5%; - the invention of the "OKP stage", the invention is included in the development of a specific product, the probability of success is -0.75%; stage of industrial development and implementation, the probability of success is -100% (Abbasov S.A. 2019: s.345).

Strict control over the timeliness and completeness of the formation of the list of documents required for applying for obtaining a title of protection on behalf of an organization is required: notification of the creation of results of intellectual activity, application materials for state registration of results of intellectual activity by the provisions of the Civil Code of the Azerbaijan Republic, an expert opinion on the possibility of commercial use, an agreement between the organization and the authors of the results of intellectual activity on the payment of remuneration.

7. Verification of compliance with the procedure for recording and using the results of intellectual activity. Upon receipt of the title of protection, the patent

commissioner notifies the subdivision that created the result of intellectual activity and the authors of the receipt of the title of protection.

The object of intellectual property is the result of intellectual activity, which is provided with legal protection; for this standard, it is an invention, utility model, industrial design, trade secrets (know-how). The Intellectual Property Management Department registers in the register and sends to the accounting service the documents for registration as intangible assets. The list of documents required for the statement of the result of intellectual activity in the form of an object of intellectual property for accounting as intangible assets: name and type of title document (number, date) for inventions, utility model, industrial design, author, the copyright holder for which is developed, basis for creation and use (contract/agreement), calculation of reliable costs, calculation of the assessment of commercial significance, the estimated period of use and place of use, indicating the name of the equipment object.

8. Registration of the results of intellectual activity. Registration is carried out by the accounting service by the rules for registering the results of intellectual activity established in the Accounting Policy following clause 3 of PBU 14/2007: - the object can bring economic benefits in the future - is confirmed the calculation of the assessment of commercial significance; -the organization has the right to receive economic benefits -confirmed by the title of protection; -identification of the object; -the object is not intended for sale -confirmed by a decision on use in the organization; -the object is intended for use more than 12 months -confirmed by the Act of Use.: -the actual (initial) cost of the object can be reliably determined - confirmed by the cost estimate for the given R&D topic. An NMA-1 card is issued. The accounting unit for intangible assets is an inventory item.

9. Use of the results of intellectual activity by third parties. Use by third parties is possible only with the consent of the organization and by applicable law. Variants of using the results of intellectual activity: sale of licenses for use, alienation of rights to intellectual property objects in full. All agreements, license agreements, and other documents to the intellectual property object, the exclusive rights to which belong

to the organization, are agreed with the intellectual property management department, the proposed standard systematizes the scope of work on the recognition, assessment, and registration of the results of intellectual activity as intangible assets and a description of the general principles for documenting the stages for internal control of intangible assets.

10. Checking the formation of reporting on the indicators of the effectiveness of identifying protectable results of intellectual activity in the course of R&D. To control the effectiveness of the activity of an innovative industrial organization, it is necessary to establish the following criteria: - the percentage of innovative activity, %; - the number of transitions from the conceptual stage of the "idea" to the implementation of innovative products containing the results of intellectual activity accounted for as intangible assets.

3.3. Methodological recommendations for registering the results of own scientific developments of innovative industrial organizations

These guidelines have been developed in order to improve the methodological support for determining a reliable assessment of the value of intellectual property objects and results intellectual activity obtained during the performance of research, development and technological work, taken into account as intangible assets for the analysis of the asset's compliance with the requirements of its most effective use in the commercialization of the rights of innovative industrial organizations., approved by the Ministry of Economic Development of Azerbaijan, as well as methodological recommendations for determining the market value of intellectual property approved by the Ministry of Property of Azerbaijan, can be used to determine the market value of the following objects of assessment: exclusive rights to the results of intellectual activity; rights to production secrets (know-how); rights to the results of intellectual activity transferred under an agreement, including under a license agreement, an author's agreement, an agreement on the transfer of rights to use the topologies of integrated microcircuits, computer programs or databases.

These recommendations can be used by an "internal evaluator", an employee of the organization with the necessary competence by the job description. They contain a description of the approach to determining the scope of work for the recognition, assessment, and accounting as intangible assets and a description of the general principles of documenting the assessment procedure to create a system of internal control of intangible assets. Depending on the purposes of using the results of intellectual activity and the specifics of the asset, the organization chooses the following approaches to assessment: -profitable hike; -expensive approach; - comparative approach.

The cost approach is to calculate the cost of reproduction of the assessed intellectual property at current prices, taking into account depreciation (obsolescence), the entrepreneurial profit of the owners, non-refundable taxes, and mandatory duties on the date of valuation. The cost approach is used when carrying out inventory, balance sheet accounting, and also to determine the actual price of the appraised objects. As practice shows, the cost-based approach is considered a priority for evaluating the results of research, design and survey, geological and other works. The cost approach is used in assessing the value of the results of intellectual activity, when it is impossible to find an analog or there is no experience in the sale of such objects, it is difficult to predict future income, and also as the main approach in determining the initial (actual) value for putting on the balance sheet as intangible assets. The following methods of estimating the costs of creating the results of intellectual activity are applied:

- the replacement cost method consists of summing up all the costs incurred for creating a similar object of valuation in the market prices existing at the date of the valuation, taking into account the depreciation of the valuation object.

- the method of reproduction cost consists of summing all creation of an object identical to the object of appraisal at market prices existing at the date of the appraisal, using identical materials and technologies, taking into account the depreciation of the appraisal object.

- the method of initial costs is, to sum up, the historical (initial) costs, recalculated taking into account these conditions, taking into account the price change index in the given industry. The market approach is based on the principle of the existence of an active market in which the results of intellectual activity are bought and sold, and informed buyers make independent decisions. Information on transactions is used when evaluating the results of intellectual activity. Advantages and disadvantages of the evaluated objects in comparison with selected analogs are accounted for and allow adjusting the value of the assets being valued. When using the market approach, the following scope of work is carried out:

1. Collection and analysis of information on completed sales and purchase transactions on similar objects of valuation;
2. Choosing a list of indicators to compare the selected analogs;
3. Correction of the actual price taking into account the comparison indicators;
4. Determination of the value of the estimated result of intellectual activity, based on the adjusted actual. However, the market approach based on the comparative non-sale of similar objects is of limited use in assessing the results of intellectual activity of innovative industrial organizations due to the uniqueness, specificity, and confidentiality of information on the terms of commercial transactions. Know-how assessment procedure using the income approach (conditional example).

For example, the introduction of advanced developments in the field of metalworking will significantly increase the efficiency of doing business. An example of formalizing the assessment of the market value of the result of intellectual activity by the method of exemption from royalties. To determine the discount rate, a cumulative construction model was used. The definition of the discount rate provides for the following components: risk-free rate, adjustment for country risk, a premium of a potential buyer (investor) for the risk of investing in this type of business, adjustment for low liquidity. Due to the risk associated with obtaining future income, the discount rate exceeds the risk-free rate of return by the total amount of the above adjustments.

Table 3: Application of different approaches to the assessment of the results of intellectual activity

<i>Asset type/ Applicability</i>	<i>High</i>	<i>Medium</i>	<i>Low</i>
<i>Invention</i>	<i>Income</i>	<i>Comparative</i>	<i>Costly</i>
<i>Utility Models</i>	<i>Income</i>	<i>Comparative</i>	<i>Costly</i>
<i>Designs</i>	<i>Income</i>	<i>Comparative</i>	<i>Costly</i>
<i>Now-how</i>	<i>Income</i>	<i>Comparative</i>	<i>Costly</i>
<i>Technical documentation</i>	<i>Income</i>	<i>Comparative</i>	<i>Costly</i>
<i>Drawings Parallel</i>	<i>Income</i>	<i>Comparative</i>	<i>Costly</i>
<i>Data</i>	<i>Income</i>	<i>Comparative</i>	<i>Costly</i>

Source: http://www.lib.bbu.edu.az/read.php?item_type=lecture&file_type=pdf&file=127

When determining the risk-free rate, it is necessary to analyze the following instruments: Deposits of Kapital bank of the Azerbaijan Republic, Western financial instruments (government bonds of developed countries, (LIBOR); Interest rates on interbank loans of the Azerbaijan Republic; Key rate of the Bank of Azerbaijan; Government bonds of the Azerbaijan Republic. To determine discount rates and capitalization rates, a risk-free rate equal to 8.5% per annum is assumed, the average annual yield on the accumulative ruble deposit of Kapitalbank of the Azerbaijan Republic. To determine the risk premium by the factorial assessment method. Risk is understood as the degree of justification of the expectations of future income. To predict the cash flow risk can be considered as the probability or degree of implementation of forecast estimates, in other words, as the risk of forecast realization.

The next step in the appraisal procedure is the calculation of income from the use of appraisal objects. The main items of income that an innovative industrial organization plans to receive may include the following: carrying out metalworking works using know-how, assignment of property rights to know-how. The cost can be calculated as the estimated income through royalty payments by periods (1 year), discounted for the entire period. When determining the value of property rights by the method of exemption from royalties, the dependence of royalty payments on income from the main production activity was used.

$Sois = \sum C_i * V_i * R * K_d$, where (5) C is the retail price of one product (manat); V_i is the volume of products sold (units); R is the royalty rate on average for this industry (4%); K_d -capitalization ratio ($K_d = 1 + Std$),

$$P_{eff} = 1 + \sum_i K_i$$

Σ - the coefficient of significance of technical and economic indicators that change when the analogue is replaced by a new result of intellectual activity;

$i K$ - the sum of the weight coefficients of those indicators of products that can be improved when using the result of intellectual activity in comparison with analogs. In the absence of data on the quantitative values of indicators, expert assessments of qualified specialists in this field are used. If the result of comparing the estimated result of intellectual activity by any indicator is worse than the base analogue, then the indicator of its significance is included in the calculation with a minus sign. If the calculated indicator turns out to be more than one, then in comparison with the analogue, the created result of intellectual activity provides an increase in the quality level of products (works, services).

Depending on the purposes of using the result of intellectual activity and the specifics of the asset, an innovative industrial organization chooses an approach to asset valuation and an acceptable valuation method. The methodological recommendations, drawn up in the form of regulations and demonstrated in practical examples, will simplify the task and speed up the assessment procedure. Based on the results of the study of innovative industrial organizations of the Baku Territory, it was concluded that a sufficient number of structural units are responsible for managing the intellectual and innovative activities of organizations. Internal control of transactions with intangible assets becomes part of the intellectual activity management system in innovative industrial organizations, provides the governing bodies with the necessary information. However, the potential for introducing internal control over the results of intellectual activity is practically not used in organizations. The internal control standard developed in the dissertation research will make it possible to systematize the scope of work, to approve the procedure and approval procedures for the recognition, assessment, and registration of the results

of intellectual activity as intangible assets. To this end, the standard proposes stages of internal control that correspond to the innovative specifics of industrial organizations, which must be taken into account when forming reports on the indicators of the effectiveness of identifying protectable results of intellectual activity obtained during the performance of research, development and technological work.

Thus, the developed standard reveals the stages of an organization's intellectual activity, makes it possible to increase the efficiency of identifying its results, to systematize the scope of work on recognition, assessment, and registration of the results of intellectual activity as intangible assets and to more clearly form a description of the general principles of documenting this procedure to organize internal control intangible assets created by the organization itself. The use of this standard can reduce the risk of inconsistency with the current legislation of operations with intangible assets on registration of the results of intellectual activity, ensure the reliability of the preparation of accounting (financial) statements in terms of intangible assets, reduce the likelihood of third-party claims, fines, identify promising options for the commercialization of rights to the results of intellectual property. The proposed practical recommendations for determining the market value of the results of intellectual activity are compiled by federal valuation standards and formalized in the form of regulations. Intangible assets are the subject of purchases and sales between innovative industrial organizations and information on prices is private, moreover, the price paid for one asset cannot be sufficient evidence of the fair value of another asset, in this regard, the proposed valuation procedure, demonstrated by practical examples, and the developed forms of documents can be used by the organization to determine the market value of the following objects of assessment: exclusive rights to the results of intellectual activity; rights to production secrets (know-how); exclusive rights transferred under a licensing agreement, an author's agreement, an agreement on the transfer of rights to use the topologies of integrated microcircuits, computer programs or databases created by the

organization and accounted for as intangible assets for commercialization following the state policy in the industrial sphere of the Azerbaijan Republic.

CONCLUSIONS AND RECOMMENDATIONS

The state strategy for the growth of the innovative potential of the Azerbaijan economy requires the development of the intellectual property market, in this regard, the state control over the results of the intellectual activity of industrial organizations is strengthened. This will pose the problem of ensuring the completeness of accounting for the costs of creating the results of intellectual activity and determining their reliable market value. The results of the intellectual activity of organizations are reflected in accounting as intangible assets. Intangible assets of innovative industrial organizations, put on the balance sheet, demonstrate the level of their technological potential, are an indicator of inventive activity, and are classified by Rospatent as innovative resources of organizations. When creating and registering the results of intellectual activity as intangible assets, innovative industrial organizations are obliged to form an information base for calculating indicators of innovative activity. In this regard, the requirements for the reliability of accounting (financial) statements and for increasing the efficiency of using the results of intellectual activity recorded as intangible assets are increasing. The formation of an internal control system for transactions with intangible assets should become one of the elements of intellectual activity management. In this regard, the improvement of the theory, methodology, and practice of internal control of operations with intangible assets in innovative industrial organizations seem relevant and in demand for their sustainable and crisis-free development of the Azerbaijan economy. The study made it possible to draw significant scientific conclusions, to develop guidelines for the development of internal control of operations with intangible assets, thereby improving and supplementing its theoretical, methodological, and instrumental support. The main results of the study are as follows: 1. The study of innovative industrial organizations of the Baku Territory made it possible to conclude that one of the priority categories of subjects of innovation is organizations that set goals and can ensure the sequence of stages in creating innovative products, as well as clear interaction of all subjects of the

innovation process: from the stage of generating ideas and research and development and development work to industrial development and implementation of innovative products that contain the results of intellectual activity and are taken into account as intangible assets. At all stages of the process of creating intangible assets in innovative industrial organizations, there are regulatory and methodological problems that prevent their involvement in the economic turn. There is a need for internal control covering all the considered stages and processes of creation and implementation of the results of intellectual activity before they become officially recognized under Azerbaijan and international legislation as objects of intellectual property that can generate income in the future as intangible assets.

The presence of intangible assets in the form of exclusive rights to the results of intellectual activity characterizes the organization's activities as innovative. As a result of the study of various terminological approaches, the conceptual apparatus has been improved, taking into account the multi-criteria nature of intangible assets and their innovative significance. The result of the study proves that the existing procedure for accounting for the results of intellectual activity by the norms of Azerbaijan legislation gives rise to problem situations. The formation of costs for the creation of the results of intellectual activity within the organization takes place according to the accounting rules of several RAS and IFRS standards, however, the issue of registering the results of intellectual activity as intangible assets is not always successfully and promptly resolved.

3. In the course of the study, it was concluded that the existing features of accounting and control in innovative industrial organizations also require special internal control of operations with intangible assets. stages of creating the results of the organization's intellectual activity for the consistent and effective transformation of a scientific or entrepreneurial idea into scientific research developments that are moving into the stage of industrial development of the results of intellectual activity, which must be fairly evaluated and reflected in the balance sheet of an industrial organization as intangible assets. As a result, a classification of intangible assets was proposed, taking into account the tasks of state programs of innovative development

assigned to innovative industrial organizations and associated with identifying resources for import substitution, supplemented by criteria for innovative results of intellectual activity, identified on the example of the experience of innovative industrial organizations of the Baku Territory. Classification of intangible assets will simplify the analysis of the composition of intangible assets of the organization and the formation of a cost estimate for the creation of results of intellectual activity, will serve as an information basis for the formation of a report on indicators of innovative activity, will make it possible to establish the boundaries of internal control and select its own set of control procedures for each group of intangible assets.

The work systematizes Azerbaijan and foreign scientific and practical approaches to the internal control of intangible assets of innovative industrial organizations. The developed methodology for creating an internal control system for intangible assets allows you to form a functional structure responsible for maintaining the control environment in the organization; identify risks about transactions with intangible assets in innovative industrial organizations; determine the material accounts that form the items of the accounting (financial) statements in terms of intangible assets, establish the guaranteeing statements of management applicable to these accounts, identify business processes that form the main transactions with intangible assets, draw up a map of risks and control procedures for transactions with intangible assets. Thus, the use of the developed methodology makes it possible to unify the process of internal control of intangible assets in innovative industrial organizations, thereby increasing the quality and reducing the labor intensity of control measures, identifying atypical, most risky operations with intangible assets, during which there is a high probability of errors.

The developed internal control standard "Recognition, assessment, and accounting of the results of intellectual activity as intangible assets" allows you to systematize the scope of work, determines the procedure and procedures for approval for the recognition, assessment, and registration of the results of intellectual activity as intangible assets. For this, the stages of internal control of the results of intellectual activity created under government contracts and agreements for the

performance of research, development, and technological work are substantiated, the criteria for choosing a method for their legal protection, the procedure for distributing rights and agreeing on the remuneration of authors for creating the results of intellectual activity are clarified; the criteria for the significance of the results of intellectual activity for the implementation of innovative programs and the assessment of the commercial significance of the result of intellectual activity, the formation of reporting on indicators of the effectiveness of identifying protectable results of intellectual activity obtained during the implementation of research, development and technological work, have been determined. transactions with intangible assets created by the organization itself during the distribution of rights, the choice of the method of protection and state registration and, accordingly, to avoid fines and third-party claims. Practical recommendations for determining the market value of the results of intellectual activity created by the organization and taken into account as intangible assets for commercialization and introduction into economic circulation have been substantiated and formalized in the form of regulation. Practical recommendations for the formation of a reliable assessment of the results of intellectual activity created by the organization and recorded in the quality of material assets can be used in valuation activities when determining the market value of intellectual property objects. One of the significant results of the study is the solution of an important state task aimed at increasing the innovative potential of the Azerbaijan Republic. The developed control and assessment methods can be useful for innovative industrial organizations interacting with the Ministry of Industry and Trade of Azerbaijan and legislative bodies in the preparation of amendments and additions to the current regulatory framework for internal control and reporting for state statistics bodies. The proposed methodological toolkit is intended for organizing an internal control system for transactions with intangible assets, as well as for accounting and using the results of intellectual activity obtained during R&D when they are accepted for accounting as intangible assets. Methodical recommendations can be used in innovative industrial organizations when forming accounting policies for business transactions with

intangible assets in accounting accounts when disclosing information on intangible assets and the results of intellectual activity in financial statements, which will lead to an increase in the share of innovative products in the GDP of the Azerbaijan Republic.

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List of Table

Table 1: Identification of stages and the problem of introducing into economic circulation the results of intellectual activity as intangible assets in innovative industrial organizations.....	18
Table 2: Intellectual activity.....	33
Table 3: Application of different approaches to the assessment of the results of intellectual activity.....	80

List of Figure

Figure 1: Internal controls.....	36
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