

**MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN**

**AZERBAIJAN STATE ECONOMIC UNIVERSITY**

**INTERNATIONAL MAGISTRATION AND DOCTORATE CENTER**

**“Organization of accounting and auditing of foreign economic activity at  
the industrial enterprises”**

**THEME**

**MASTER THESIS**

**Hakim Salmanov Allahverdi**

**BAKU - 2020**

**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**

\_\_\_\_\_ **sign**

“ \_\_\_\_\_ ” \_\_\_\_\_ **2019**

**MASTER DISSERTATION**

**ON THE TOPIC**

**“Organization of accounting and auditing of foreign economic activity at the  
industrial enterprises”**

**Code and name of Programme: 060402- Accountig and Audit  
Specialisation: Accounting and Audit in the field of Production  
Group: 450**

**Master:  
Hakim Salmanov Allahverdi**

\_\_\_\_\_ **sign**

**Scientific Supervisor:  
Phd. Eyvazov Agil Aftandil**

\_\_\_\_\_ **sign**

**Program Manager:  
PhD., assoc. Prof. Seyfullayev İ.Z**

\_\_\_\_\_ **sign**

**Head of the Department:  
Dr.of Econ. Prof. Kalbiyev Y.A.**

\_\_\_\_\_ **sign**

## **Elm andı**

I Hakim Salmanov swear that I have written my master's dissertation on “Organization of accounting and auditing of foreign economic activity at the industrial enterprises” in full compliance with scientific ethics and rules of reference and reflecting all the sources I use in the bibliography.

# “SƏNAYE MÜƏSSİSƏLƏRİNDƏ XARİCİ İQTİSADI FƏALİYYƏTİN UÇOTU VƏ AUDİTİNİN TƏŞKİLİ”

## XÜLASƏ

**Tədqiqatın aktualığı:** Xarici ticarətdə müvəffəqiyyət qazanan bir müəssisə, digər ölkələrin məhsullarından rəqabətədavamlı olan malların istehsal texnologiyasını inkişaf etdirmək üçün çalışan bir müəssisədir, bu, məhsullarını xarici bazarlara genişləndirmək üçün təşkilati və iqtisadi əlaqələri inkişaf etdirən bir müəssisədir.

**Tədqiqatın məqsəd və vəzifələri:** Tədqiqatın məqsədi xarici iqtisadi fəaliyyətin təhlilinin nəzəri prinsiplərini, metodoloji aspektlərini araşdırmaq, təşkilatın xarici iqtisadi fəaliyyətinin uçotu və auditinin təhlilinin inkişafı üçün praktiki tövsiyələrin işlənilməsi və hazırlanmasıdır.

**Tədqiqatın metodları:** Tədqiqat zamanı müşahidə, müqayisə, analiz, sintez metodları istifadə edilmişdir.

**Tədqiqatın informasiya bazası:** Tədqiqatın informasiya bazasını “Mühasibat uçotu haqqında” Azərbaycan Respublikasının Qanunu, Azərbaycan Respublikasının Mülki Məcəlləsi, “İxrac nəzarəti haqqında” Azərbaycan Respublikasının Qanunu, Azərbaycan Respublikasının Vergi Məcəlləsi, "Müəssisələr haqqında" Azərbaycan Respublikasının qanunu, "Gömrük tarifi haqqında" Azərbaycan Respublikasının Qanunu, Milli Mühasibat Uçotu Standartları, Beynəlxalq Maliyyə Hesabatları Standartları, elektron internet resurları təşkil edir.

**Tədqiqatın məhdudiyyətləri:** Əksər sənaye müəssisələrində rəsmi veb saytlar olmadığı üçün elektron məlumatlar əldə etmək çətinlik yaradır.

**Nəticələrin elmi-praktik əhəmiyyəti:** Tədqiqatın praktiki əhəmiyyəti ondadır ki, tədqiqat işində əks etdirilən mühasibat sisteminin və xarici iqtisadi fəaliyyətin auditinin yaxşılaşdırılmasına yönəlmiş tövsiyə və təkliflərin praktikada tətbiqi idarəetmədə istifadə olunan məlumatların etibarlılığını və səmərəliliyini artırmağa kömək edə bilər.

**Nəticələrin istifadə oluna biləcəyi sahələr:** Sənaye müəssisələri tərəfindən uçotda paylama xərcləri əks etdirilərkən iqtisadi fəaliyyət faktlarının müvəqqəti dəqiqliyi prinsipinə əməl olunmalıdır. Bu o deməkdir ki, paylama xərcləri, ödənişdən asılı olmayaraq, faktiki olaraq baş vermiş hesabat dövrlərində əks olunmalıdır. Sənaye müəssisələrinin təşkilatlarına aid olduqları xüsusi mallarla əlaqədar olaraq analitiklərdə paylama xərclərinin uçotunu aparmaq tövsiyə olunur.

**Açar sözlər:** uçot, sənaye, mühasibat, audit, müəssisə.

# “ORGANIZATION OF ACCOUNTING AND AUDITING OF FOREIGN ECONOMIC ACTIVITY AT THE INDUSTRIAL ENTERPRISES”

## SUMMARY

**The actuality of the subject:** An enterprise that succeeds in foreign trade is an enterprise that strives to develop the technology of production of goods that are competitive with the products of other countries, an enterprise that develops organizational and economic ties to expand its products to foreign markets.

**Purpose and tasks of the research:** The purpose of the research is to study the theoretical principles, methodological aspects of the analysis of foreign economic activity, to develop practical recommendations for the development of accounting and audit analysis of foreign economic activity of the organization.

**Used research methods:** Observation, comparison, analysis, synthesis methods were used during the research.

**The information base of the research:** The research information base is based on the Law of the Republic of Azerbaijan “On Accounting”, the Civil Code of the Republic of Azerbaijan, the Law of the Republic of Azerbaijan “On Export Control”, the Tax Code of the Republic of Azerbaijan, the Law of the Republic of Azerbaijan “On Enterprises”; Organizes the Law, National Accounting Standards, International Financial Reporting Standards, electronic Internet resources.

**Restrictions of research:** Electronic data is difficult to obtain because most industries do not have official websites.

**The novelty and practical results of investigation:** The principle of temporary accuracy of the facts of economic activity should be followed when accounting for distribution costs by industrial enterprises. This means that distribution costs, regardless of payment, should be reflected in the reporting periods that actually occurred. It is recommended that analysts keep records of distribution costs in relation to specific goods belonging to industrial enterprises.

**Scientific-practical significance of results:** The practical significance of the research is that the practical application of the recommendations and suggestions aimed at improving the accounting system and the audit of foreign economic activity reflected in the research can help increase the reliability and efficiency of data used in management.

**Keywords:** accounting, industry, accounting, audit, enterprise.

## **LIST OF ACRONYMS**

<b>AR</b>	Accounting Regulations
<b>FEA</b>	Foreign Economic Activity
<b>IAS</b>	International Accounting Standards
<b>IFA</b>	International Federation of Accountants and Auditors
<b>IFRS</b>	International Financial Reporting Standards
<b>IIR</b>	International Internal Auditors
<b>INCOTERMS</b>	International Rules for the Interpretation of Trade Terms
<b>NAS</b>	National Accounting Standards
<b>USA</b>	United States of America
<b>VAT</b>	Value-Added Tax

## CONTENT

<b>INTRODUCTION.....</b>	<b>8</b>
<b>CHAPTER I. THE REVIEW OF ACCOUNTING AND AUDITING ASPECTS OF FOREIGN ECONOMIC ACTIVITY .....</b>	<b>12</b>
1.1. Overview of foreign economic activity at industrial enterprises .....	12
1.2. Accounting aspects of foreign economic activity .....	18
1.3. Auditing aspects of foreign economic activity .....	24
<b>CHAPTER II. ORGANIZATION OF ACCOUNTING AND AUDITING OF FOREIGN ECONOMIC ACTIVITY .....</b>	<b>29</b>
2.1. Functional currency and its impact on the consolidated financial statements of enterprises.....	29
2.2. Translation methods of foreign economic activity .....	34
2.3. How auditing of foreign economic activity is organized? .....	45
<b>CHAPTER III. IMPACT OF FOREIGN ECONOMIC ACTIVITY ON FINANCIAL POSITION AND PERFORMANCE OF ENTERPRISES.....</b>	<b>51</b>
3.1. Potential impacts of foreign economic activity on financial statements of an enterprise .....	51
3.2. The organization of auditing with the purpose of reducing a negative impact of foreign economic activity on financial condition and performance of an organization .....	59
<b>CONCLUSIONS AND RECOMMENDATIONS.....</b>	<b>66</b>
<b>REFERENCES .....</b>	<b>69</b>
<b>APPENDIX .....</b>	<b>74</b>
<b>LIST OF TABLES .....</b>	<b>83</b>

## INTRODUCTION

**The actuality of the subject.** Currently, the country's economy is successfully integrating into the world, our enterprises are competing with the leading enterprises in the world. The policy of liberalization of foreign trade adopted by our state, as well as freedom of entrepreneurship, makes it possible for domestic enterprises to independently resolve issues related to the production of certain goods and to enter specific markets.

External relations have always been an integral part of the economic activity of industrial enterprises. Today, the foreign economic sphere covers international cooperation, the formation of conditions for the reception of foreign capital, improving the efficiency of export-import operations, and the restructuring of foreign economic infrastructure. The development and deepening of foreign economic activity for consumer cooperation enterprises means new opportunities to take advantage of international production cooperation, increase the degree of economic freedom in choosing the most effective ways to solve important economic and financial problems, as well as attract investment resources to industrial enterprises.

Foreign economic relations can more fully satisfy the needs of shareholders in a variety of products. Economic relations with foreign countries contribute to the enrichment of progressive experience in the field of trade services for the population, are a factor in economic growth, intensification of production, improvement of technology, replenishment of the consumer goods market.

Changes in the scale, nature and forms of foreign economic activity impose increased requirements on the organization of accounting and auditing, which are the most important elements of managing foreign economic activity in industrial enterprises. Accounting in these conditions is not limited only to the reflection of financial and economic activities. It is called upon to actively influence it to ensure the regulation of foreign economic activity, economic control, analysis, and to prevent the possibility of imbalances and failures in the sale of goods and services.



The national economy of the Republic of Azerbaijan consists of individual farms of various forms of ownership: enterprises, corporations, households. In market conditions, domestic enterprises base their economic policies and organize the process of managing production, sales and financial results on their own. In an environment of increasing competition in markets, both internal and external, the liberalization of the economy of foreign economic activity of the enterprise is one of the main conditions for improving foreign trade. An enterprise that has achieved success in foreign trade is an enterprise working to improve the production technology of goods that must withstand competition from products of other countries, this is an enterprise working to develop organizational and economic relations for the expansion of its products to foreign markets. Accounting and analysis of the foreign economic activity of the enterprise play one of the leading roles, therefore the topic of the dissertation "Improving the accounting and analysis of the foreign economic activity of enterprises" is relevant.

**Problem setting and level of learning.** Many well-known economists worked on solving the problems of accounting and analysis of foreign economic activity. Here you can cite the names of theoretical scientists prof. A.D. Muradova, Z.A.Samedzade, Yu.A. Babaeva, E. M. Babashirnova, Y. B. Huseynov, A.F. Ionova, V.I. Barilenko, E.V. Morozova, L.E. Strovsky, S.K. Kazantseva, E.A. Parshina, T. G. Sheshukova, I.P. Maletsko, who made a huge contribution to the work to identify problems of accounting and analysis of foreign economic activity and their solution. Currently, issues on improving accounting and analysis remain open for study and discussion.

**The purpose and objectives of the study.** The aim of the dissertation research is to study the theoretical principles, methodological aspects of the analysis of foreign economic activity, the development of practical recommendations for the development of accounting and analysis of the organization's foreign economic activity.

To accomplish this, we set the following tasks:

- explore the conceptual framework of accounting for foreign economic activity;
- to study the methodological aspects of the analysis of foreign economic activity;
- consider the procedure for accounting for the effectiveness of export-import operations, identify its problems and ways of improvement;
- to study the current state of the analysis of the effectiveness of export-import operations and its problems;
- to assess the financial results of the foreign economic activity of the enterprise;
- to develop organizational and methodological recommendations for improving the methodology of a phased analysis of export-import operations.

**The object and subject of the research.** The subject of the study is the theoretical and methodological aspects and problems of accounting and analysis of foreign economic activity. The object of the research is the enterprises of the Azerbaijan Republic, carrying out trade activities with the CIS countries.

**Research methods.** The methodological base of the research in the dissertation is the work of scientists in the field of foreign economic activity of accounting and analysis of foreign economic activity, articles in scientific journals, study guides, encyclopedic dictionaries and others. The research methodology consisted of the following methods: observation, comparison and analogy; analysis, synthesis; factor analysis; coefficient method.

**The information base of the study.** The theoretical basis of this dissertation is: The Law of the Republic of Azerbaijan “On Accounting”, Civil Code of the Republic of Azerbaijan, Law of the Republic of Azerbaijan “On Export Supervision”, Tax Code of the Republic of Azerbaijan, Law of the Republic of Azerbaijan “On Enterprises”, Law of the Republic of Azerbaijan “On Customs Tariff” , National Accounting Standards, International Financial Reporting Standards, Decree of the President of the Republic of Azerbaijan “On Further

Liberalization” foreign trade in the Azerbaijan Republic "Conceptual bases of NAS for commercial organizations.

**The limitation of the study.** Because most industrial enterprises do not have official websites, it is difficult to get electron information.

**Scientific novelty of the research.** The scientific novelty of the thesis consists in the development of recommendations aimed at improving the accounting and audit of foreign economic activity in industrial enterprises on a new methodological and organizational basis, in order to increase their scientific level and effectiveness.

**Practical significance of the results and areas of application.** The practical significance of the study lies in the fact that the implementation in practice of recommendations and proposals aimed at improving the accounting system and audit of foreign economic activity will help to increase the reliability and efficiency of the information used in management, increase the analyticity and effectiveness of accounting and audit, strengthen their control functions in the implementation of export-import and foreign exchange transactions in consumer cooperation organizations.

## **CHAPTER I. THE REVIEW OF ACCOUNTING AND AUDITING ASPECTS OF FOREIGN ECONOMIC ACTIVITY**

### **1.1. Overview of foreign economic activity at industrial enterprises**

At all historical stages of Azerbaijan's development, foreign economic activity influenced the solution of economic problems at various levels: the national economy as a whole, individual regions, associations, enterprises. Foreign economic relations were a catalyst for economic transformation in Azerbaijan. They actively influence the formation of market structures and mechanisms in the country, contribute to the initial accumulation of capital, create a competitive environment and determine market motivation in domestic business, familiarize it with the foreign experience of entrepreneurship.

At all historical stages of Azerbaijan's development, foreign economic activity influenced the solution of economic problems at various levels: the national economy as a whole, individual regions, associations, enterprises. Foreign economic relations were a catalyst for economic transformation in Azerbaijan. They actively influence the formation of market structures and mechanisms in the country, contribute to the initial accumulation of capital, create a competitive environment and determine market motivation in domestic business, familiarize it with the foreign experience of entrepreneurship. Today, profound changes are taking place in the structure of the foreign economic activity of the Azerbaijan, as in the entire economy of the country. If earlier foreign economic activity, and hence the import of goods and services, was a monopoly area of state activity, today the situation has changed: the Azerbaijan has taken the path of liberalization of foreign trade, opening up free access to the participation of enterprises, organizations and other business entities in it. The legal protection of domestic exporters and importers became relevant in connection with the procedure for Azerbaijan to join the World Trade Organization, an institution that regulates economic relations between countries in the field of international trade, in accordance with the principles of maximum openness of national markets. However, Azerbaijan businessmen should be able to

independently defend their own interests, which will help them in their knowledge of the "rules of the game" in the world market, its features and traditions.

Since the liberalization of foreign economic activity (FEA), the organization and management of foreign trade operations have received increased attention, both at the theoretical and practical levels. The legislative base in this area of economic activity is developing very dynamically due to global trends in the unification of the methodological base of international trade, the strengthening of integration processes, the emergence of new forms and methods of trade. Today, tens of thousands of enterprises and tens of thousands of entrepreneurs and government employees are directly involved in foreign economic activity. Unfortunately, many of the participants are not familiar with the basics, and even more so with the intricacies of foreign economic activity. Foreign economic activity of enterprises is a field of economic activity related to international production and scientific and technical cooperation, export and import of products, and the enterprise entering the foreign market. It is a consequence of the development of foreign economic relations as a set of directions, forms, methods and means of trade, economic, scientific and technical cooperation, as well as monetary, financial and credit relations of the state with foreign countries in order to rationally use the advantages of the international division of labor and international economic relations to solve national economic and foreign policy tasks. Foreign economic relations are international economic, trade, political relations, including the exchange of goods, various forms of economic assistance, scientific and technical cooperation, specialization, production cooperation, provision of services and joint venture. The difference between the concepts of "foreign economic relations" and "foreign economic activity" is as follows. Foreign economic relations relate to the level of macroeconomic (interstate) regulation, and foreign economic activity to the micro level, that is, to the level of firms and enterprises (Яковлева, Е. В, 2009: с.91).

FEA is carried out at the level of production structures (firms, organizations, enterprises, associations) with complete independence in choosing the foreign market and foreign partner, product range and assortment positions for export-

import transactions, in determining the price and value of the contract, volume and delivery time and is part of their production and commercial activities with both domestic and foreign partners. Foreign economic activity refers to the market sphere, is based on the criteria of entrepreneurial activity and structural connection with production, is distinguished by legal autonomy, economic, and legal independence from any branch departments and ministries. Management of foreign economic activity of an enterprise is an impact on the processes of preparation and implementation of foreign economic operations, focused on making a profit, increasing profitability through participation in the international division of labor. When classifying the types of foreign economic activity of enterprises, most scientists include in their composition: foreign trade activity; production cooperation; international investment cooperation; currency and financial credit operations; relations with international organizations.

Foreign trade activity is an enterprise in the field of the international exchange of goods, work, services, information and results of intellectual activity. A foreign trade operation is a complex of actions of counterparties, that is, foreign partners in a foreign trade operation, aimed at the fulfillment of commodity exchange and providing it. The full complex characterizing a foreign trade operation may include: studying the market for a particular product, its advertising, creating a sales network, developing commercial offers, negotiating, concluding and executing contracts (Покровская, В. В., 2009: с.157).

The main forms of foreign economic relations include the following: Trade. Using this form, the sale and purchase of consumer goods is carried out: clothing, shoes, perfumes, haberdashery, cultural goods, as well as food products and raw materials. There is also a trade exchange of products for industrial consumption: components, parts, spare parts, rolled products, bearings, assemblies, etc. It is possible to purchase goods and equipment for public consumption: urban transport, equipment for hospitals, clinics, resorts, medicines, devices and equipment for environmental protection. The purchase and sale of products of intellectual labor is carried out: licenses, know-how, engineering products. Joint venture. This form of

foreign economic relations can be implemented in the industrial sector in factories, factories, enterprises; in agriculture, science, education, medicine, transport, culture, art, credit and finance.

A large distribution in international business belongs to intermediary, banking, exchange services, insurance, tourism, international cargo transportation. The volume of services provided by computer networks available in developed countries is growing rapidly. Collaboration, assistance. Scientific, technical, and economic cooperation are becoming increasingly widespread in foreign economic relations. Scientific, cultural exchange is intensifying, and the number of sporting events is growing.

Foreign trade at the present stage is the most intensively developing form of international economic relations. The interest of almost all countries in expanding their foreign trade is primarily associated with the need to market national products on foreign markets, the need to obtain certain goods from the outside, and, finally, the desire to extract high profits due to the international division of labor, which allows saving labor in the process of rational production and sharing its results between different countries. Modern foreign trade operations are very diverse. Therefore, it is not possible to propose one criterion according to which an exhaustive classification of foreign trade transactions can be given. All of them should be considered from several points of view: in areas of trade; types of goods and services; degree of readiness of goods; trade methods used; organizational forms of trade.

In the direction of trade, foreign economic operations can be divided into export, import, re-export and re-import. Exporting or importing goods is usually the first foreign economic transaction an enterprise encounters that has become a participant in international business. But export-import operations do not stop even when the company moves to other foreign trade transactions. In this case, export-import operations are looking for new markets or are carried out in conjunction with other foreign trade operations. Under export-import operations refers to commercial

activities related to the sale of commodity products (services) and the import-export of these products (services) abroad / from abroad (Сбергаев, Н. А., 2007: с.106).

In international trade practice, the seller is referred to as the exporter, and the buyer is referred to as the importer. The parties to any contract in the practice of international trade are referred to as counterparties. Each type and direction of foreign economic activity of the entities participating in it includes a wide range of economic, industrial, legal, monetary, financial and other relations. In general, foreign economic activity is one of the most important factors in the development of the national economy and economic stabilization of the country.

Currently, the company can carry out export-import operations independently through the implementation of direct agreements with foreign partners or through intermediaries - other enterprises that provide their services on foreign trade. The choice of the legal form of foreign economic activity depends on the economic opportunities and needs of the enterprise. A variety of types and forms of foreign economic activity of enterprises should contribute to improving the effectiveness of external relations of the state as a whole. This will solve such problems as increasing foreign exchange resources and trade volumes, improving the structure of exports and imports, paying off current debts, expanding areas of cooperation, attracting capital and technology to the country. At the enterprise level, foreign economic activity is aimed at concluding and executing contracts with foreign partners. Foreign economic activity is an integral part of the work of most enterprises in Azerbaijan. The development of foreign economic activity gives the company new opportunities, such as taking advantage of international production cooperation and the freedom to make decisions to carry out its production tasks.

Foreign trade operations differ from other business operations. Therefore, in carrying out the analysis of foreign economic activity, the analyst must take into account a number of aspects of foreign trade operations.

The first aspect is the political aspect, which implies the stability of state policy, the authority and strength of legislation, the level of corruption, etc. For example, the seller and the buyer are residents of different countries, therefore, when



concluding export-import contracts, the legislation of the two parties to the transaction, as well as international conventions and agreements on foreign trade.

The second aspect is the territorial aspect. Since the seller and the buyer are residents of different countries, the export and import of goods and services involve crossing the state border, hence the need to comply with the customs regime.

The third aspect is temporary. The passage of inventory from the moment of conclusion of the contract to the time they are delivered is a rather long period of time.

The fourth aspect is cost. Destinations of shipment and receipt of goods are quite remote from each other, and this leads to an increase in transportation costs.

The fifth aspect is the calculation procedure. Since settlements on foreign trade contracts are international, payments on them are made in a currency different from the national currency of Azerbaijan - manat. For foreign exchange operations, the currency (exchange) exchange rates of foreign currencies expressed in the currency of Azerbaijan, exchange rates of foreign currency values in foreign currencies are used. In this case, exchange rate differences arise that affect the income, expenses, profit of the enterprise. Foreign exchange relations are regulated by the Civil Code, the Law of the Republic of Azerbaijan dated October 21, 1994 No. 910 "On Currency Regulation" and other by-laws listed in the first paragraph of this chapter. Aspects of the analysis of foreign economic activity are quite well disclosed, for example, in the works of Y.A. Babaeva (Бабаев Ю.А., 2016: 158) and A.F. Ionova (Ионова А.Ф., 2014: 288). Based on the aspects of the analysis of foreign economic activity, economists and analysts have developed a methodology for the analysis.

The method of analysis of foreign economic activity is a set of techniques, approaches and methods for studying foreign trade processes in their dynamics and statics (УСКЕВИЧ Т.Г., 2013: с.9). It also includes the development of a system of analytical indicators.

There are many methods of analyzing foreign trade activities that help to study the problems facing an enterprise that has decided to enter its foreign market with

its goods, and an enterprise that has decided to supply imported goods to the domestic market of the country. Barilenko (Бариленко, В.И., 2009: с.292) broadly defined the objectives of the analysis of foreign economic activity both at the level of preliminary determination of the enterprise's potential for foreign economic activity, evaluation of contracts, and at the level of the enterprise's foreign economic activity, for example, the implementation of these contracts in terms and quality, analysis of the structure and dynamics of costs, analysis commercial and administrative expenses, study and evaluation of the effectiveness of export-import operations, analysis of the financial results of the enterprise, assessment and forecasting of future on the development of foreign trade. After analyzing the formulation of the tasks of the analysis of foreign economic activity from other economists, in particular, E.V. Morozova (Морозова, Е. В., 2012: с.113), we are inclined to believe that Barilenko has a wider range of tasks, therefore a broader coverage of the indicators used to solve these problems is needed.

The results of foreign economic activity are disclosed through various information forming a common information base. Distinguish between internal and external information depending on the sources of its formation. External information characterizes the general economic and political side of the country, the state of the stock market, business entities and administrative staff, main competitors and competition of the economic sector and main contractors.

## **1.2. Accounting aspects of foreign economic activity**

The Development Concept "Azerbaijan 2020: A Look into the Future" is based on the economic model of export orientation, and it is envisaged that increasing competitiveness and improving the structure of the economy will contribute to the growth of non-oil exports (Концепция развития «азербайджан - 2020: взгляд в будущее» [http://www.president.az/files/future\\_ru.pdf](http://www.president.az/files/future_ru.pdf)).

One of the barriers (here I agree with the authoritative opinions of leading

economists) that prevent, on the one hand, foreign investors from entering local markets, and local entrepreneurs, on the other hand, from entering the world market, was an accounting system that does not comply with IFRS . The task of accounting reform has become imperative. This task has stood and is facing not only the accounting system of our republic, but also the similar systems of the countries of the post-Soviet space. There are many publications on this subject; I want to give as an example a couple of statements by our experts.

So, F. Nasirov says that the need for uniform reporting rules follows from the rapid integration of the Azerbaijani economy into the world, therefore, clear reporting is needed primarily for external users of financial information - investors ([http://www.audit.gov.az/uploads/6\\_AZ\\_accounting\\_RUS.pdf](http://www.audit.gov.az/uploads/6_AZ_accounting_RUS.pdf)). That is what appeared, in the opinion of Y.B. Huseynova, a prerequisite for the development of national financial accounting standards (Гусейнов Я.Б., 2016: с.55). The purpose of the Conceptual framework is to determine the fundamental principles of accounting used in the development of financial statements and to provide a logical basis for these principles. In this regard, it becomes relevant to determine the conceptual framework of accounting in general and foreign trade accounting in particular. Here is just one of the definitions of the conceptual framework formulated by S.N. Polenova: The conceptual basis of accounting - these are the principles that make up the logical backbone of the accounting system and financial reporting (Поленова С.Н., 2006). V.V. Kovalev (Ковалев В.В., 2003: с.75-76) proposed the following model of the conceptual framework:

$$CFa = \{ I, O, Q, A, P, C, T \},$$

Decipher the elements of the model, here:

I - these are the interests of users of accounting information;

O - the purpose of the financial statements;

Q - data characteristics in the accounting system;

A - accounting postulates;

P - accounting principles;

C - basic concepts and categories of accounting;

T - accounting technique and technology.

The interpretation of the conceptual foundations we find again in the works of V.V. Kovalev (Ковалев В.В., 2003: с.75-76), as well as Sheshukova (Шешукова, Т. Г., 2014), Kruglyak Z.I. (Кругляк З.И., 2015), O.S. Sturmina (Штурмина О.С., 2010).

Applying the model V.V. Kovalev to the accounting of foreign economic activity, based on the Conceptual framework of IFRS and NAS, we find the characteristic features of the conceptual framework of accounting for foreign trade. First, we determine the interests of users of the FEA accounting information. So users of accounting information in the implementation of foreign trade activities will be persons who have an interest and need for it, first of all: potential international investors and foreign partners, lenders, suppliers, buyers. These are external users of accounting information with a direct financial interest in an enterprise implementing foreign trade activities. Also, tax authorities, owners and employees of the enterprise use accounting information. Areas in which users need information to make decisions related to foreign economic activity may include the following problems:

- making decisions on the preservation, increase or sale of their investments;
- provision of company loans;
- Prospects for the development of trade with the company.

In this regard, the foreign trade accounting is faced with the task of generating information on foreign trade operations: trade and currency, and providing this information to internal and external users in order to comply with the country's legislation when organizing foreign economic activities, currency, customs and tax control. The purpose of accounting for the economic activity of the enterprise in the foreign market is to increase the competitiveness of the enterprise and its products, the potential of the company in a market economy. Financial statements are prepared to see, firstly, the results of the enterprise, and secondly, the current financial situation of the enterprise and its change for the reporting period. The objectives that are set for reporting are disclosed in Regulation p.9 of IAS 1 (IAS 1) (Кутер М.И., Т.А. Семенцова, Р.А. Тхагапсо, 2007) and NAS. Fulfilling the tasks set by the main goal of financial reporting, an enterprise is free to enter foreign markets, attract

foreign investors, and take loans. Indeed, for example, in order to take a loan from the European Bank for Reconstruction and Development, an enterprise needs to fulfill a number of requirements, among which the first item is to provide an annual financial statement certified by the auditor prepared in accordance with IFRS.

- The characteristics of accounting data in accordance with IFRS determine: materiality, relevance, reliability, comprehensibility, comparability, neutrality, prudence, priority of content over form, completeness, true presentation. Of all the characteristics, the National Bank of Ukraine identifies the most important: comprehensibility, comparability, relevance, reliability. They make the information presented in the financial statements useful to users.

As an example, we give an explanation of several concepts, as follows:

- materiality (materiality) of the information is determined by whether its omission or distortion will affect the decision-making by users of this information, that is, it is necessary to find the optimal amount of information provided to an external user (bank, investor), which will give the latter an idea of the real state of affairs of the enterprise ;

- the reliability of the information implies that the information does not contain significant errors or distortions, users can completely rely on such information, making decisions based on it, for example, concluding a contract or issuing a loan;

- comparability of information allows the user to compare the performance of the enterprise for several periods or with other similar enterprises, this may affect the decision of the external user to cooperate with this enterprise, because it discloses both positive characteristics of the enterprise and negative;

- the priority of the content over the form means the primacy of the content and nature of operations over their legal or established form.

In the practice of accounting for foreign economic activity, a number of accounting principles and generally accepted accounting principles are used. The postulate of accounting, according to M.D. Akatieva (Акатьева М.Д. , 2014: с.28) are the initial scientific statements, ideas, positions underlying the doctrine. In modern

terminology, they correspond to the principles, divided into fundamental and procedural. That is, in essence, these concepts are synonyms, so we will go straight to the principles of accounting. These principles include the principle of economic isolation, the principle of monetary measurement, the principle of duality, the principle of materiality, the principle of continuity, the principle of accrual, the principle of accounting conservatism, the principle of compliance. Here I want to draw attention to two important principles.

Fundamental principle: accrual accounting, i.e. The results of operations (income and expenses) will be recognized at the time when they occurred, and not when future economic benefits are expected.

The second important principle is business continuity, which involves the operation of the enterprise in the foreseeable future. Business continuity gives investors, suppliers, customers and other partners confidence in long-term cooperation. The elements of accounting and reporting of the foreign economic activity of the enterprise, as well as the categories of accounting for foreign economic activity are objects and categories adopted in accounting, regulated by the Law on Accounting of Azerbaijan Republic and the National Bank of Azerbaijan, according to National Standard No1 ([https://base.spinform.ru/show\\_doc.fwx?rgn=18361](https://base.spinform.ru/show_doc.fwx?rgn=18361), 2019), these include: company assets, liabilities, capital, income, expenses, financial results.

All elements of financial statements are interconnected. Elements of financial statements in accordance with NAS are consistent with those adopted in IFRS and are used in the accounting and analysis of foreign economic activity.

Under the technique and technology of accounting you need to understand the methods and procedures used in accounting. This is evidenced by Kruglyak Z.I. (Ускевич Т.Г., 2013: с.17). Using these methods, firstly, an assessment of the facts of economic life is carried out, secondly, their documentation and grouping, and thirdly, the preparation of financial statements. Foreign economic activity accounting is regulated by the Law on Accounting (Закон Азербайджанской Республики О бухгалтерском учете, 2004), National Accounting Standards,

decrees of the President of the Republic of Azerbaijan, resolutions of the Government of the Republic of Azerbaijan, the Ministry of Finance of the Republic of Azerbaijan, orders and other regulatory legal acts of customs and tax authorities. For the correct and timely reflection in the accounting of foreign trade activities in accordance with IFRS and NAS, the accountant, when accounting for foreign economic activity, needs to perform the following tasks (Мирошниченко, Т.А., 2012: с.40):

- know and strictly observe the regulatory documents governing the accounting of foreign trade operations;
- keep synthetic and analytical records of the movement of goods by consignment;
- determine the essence of the methodology for accounting for the specific features of each type of activity, taking into account the forms of organization of execution;
- keep records of foreign trade operations in foreign currency and manats, recalculation must be made on the date of transactions and the reporting date with the reflection of exchange differences on accounting accounts;
- organize tax accounting by types of foreign economic activity;
- formulate an accounting policy using the specific features of the accounting methodology by types of foreign economic activity and forms of execution;
- to formulate an accounting policy for taxation by type to ensure the safety of imported and exported foreign trade goods and forms of execution;
- calculate the foreign trade value of imported (export) goods, determine financial results for each type of product (work, service) and for each foreign trade contract;
- generate accounting information for management decisions;
- provide control over the safety of property, including those on the way, at customs warehouses, etc;
- organize control over the fulfillment of the terms of foreign trade contracts (compliance with the terms of shipment, terms of payment, completeness of

settlements with foreign partners, etc.);

- prepare accounting (financial), tax and statistical reporting and provide it to users on time;

- reform the methodological and methodological foundations of accounting and reporting of foreign economic activity in accordance with the principles of IFRS and NAS.

Of course, of course, for their successful implementation you need to understand the principles, assumptions of the conceptual framework and be guided by them when working.

### **1.3. Auditing aspects of foreign economic activity**

The Revision Commission has a long history, which has been studied in detail in the course of its professional activities. The first independent auditors appeared in European joint stock companies in the middle of the XIX century. The word "Audit" in Latin means "audit", that is, "listener", and in English, "audit" means verification, control" (Kumar R. & Sharma V., 2015)

The Auditor's historical homeland is England, where since 1844 a number of company laws have been in force, according to which the Boards of Shareholders report at least once a year for checking accounts, and the shareholders. Then, in 1862, 1867 in France, 1937 in the USA laws on mandatory audit were adopted.

In the years 1929-1933 in connection with the global economic crisis, the demand for the services of accountants and auditors has increased. Currently, the requirements for the level of quality of audit services and their mandatory nature have risen sharply, and market demand for such services has grown significantly. In our opinion, after the end of the crisis, almost all countries of the world begin to introduce peremptory requirements for the amount of information that should be contained in annual reports, and for the mandatory distribution of these reports and audit reports. Revision is becoming a powerful weapon in the fight against piracy.

By the end of the 1940s, audit activities included the verification of documents confirming recorded cash transactions and the correctness of the grouping of these



operations in the financial statements. A so-called confirmatory audit has not been conducted. Since 1949, independent auditors began to pay more attention to issues of internal control in companies, believing that errors in an effective system of internal supervision are unlikely, and financial information is quite complete and accurate. The audit firm began to engage more in consulting activities than direct audit. This check is directed to the system.

Over the next century in the development of auditing - during the course of the audit or focus on the possibility of advising, preventing and avoiding risks; the client's work in Yukslan is checked selectively, mainly at the maximum risk of error or fraud. In the early 1970s, the development of audit standards began. According to our estimates, the emergence of an audit is associated with a redistribution of interests of the organization's management (administration, managers) and those who manage its work (owners, shareholders, shareholders). (O'regan, D., 2014) As a staff with information about the results of the organization. This can negatively affect various incomes, as entrepreneurs are simply not interested in and do not want to rely on financial information provided by the managers and subordinate accountants of the enterprise. Often, bank misconduct is sufficient for enterprises; deception of management has significantly increased the risk of financial investments. Shareholders were not deceived by the fact that the statements presented by management reflect the actual financial situation in the organization. Check the accuracy of financial information and confirm the invitation to prepare reports by persons whom, in the opinion of the shareholders, can be trusted. The main requirements of the auditor were his impeccable position and independence. Knowledge in the field of accounting is not mandatory at the very beginning, but with an exacerbation of accounting, the necessary conditions for this are good professional training of the auditor.

Audit activities in the Republic of Azerbaijan are based on a system of regulatory legal acts confirming its necessity. Audit activities in Azerbaijan began in 1994, when the country's government began to form a legal basis for such actions. On September 16, 1994, the Law of the Republic of Azerbaijan "On the Audit

Service" was adopted and the process of formation and formation of the State Audit was updated. Currently, the structure of the legal framework for auditing in the Azerbaijan Republic is reflected in the Constitution of the Azerbaijan Republic, laws of the Azerbaijan Republic (45 regulatory documents), resolutions of the President of the Azerbaijan Republic, decrees of the Cabinet of Ministers. Decisions of the Council of Ministers of the Republic of Azerbaijan, national laws, as well as standards for professional conduct of auditors and internal documents on the organization and conduct of audit activities (Kazimov R.N., 2012). The developed legislative base has been adopted all over the world (since 1996) and since 1999, the internal audit, the state (since 2001) has created the necessary prerequisites for a certain development of the country's audit system. In accordance with the legislation, the audit chamber is engaged in the development and regulation of the audit service in Azerbaijan, which began its activity on April 4, 1996.

Since that time, the Audit Chamber has developed 43 national audit standards, as well as prepared and adopted more than 30 regulatory documents that regulate the regulation of auditors in the country, regularly conducts audit of experts and the names of auditors, each organization has its own audit fund. The significance of the profession of internal auditors is beyond doubt, and in order to develop and develop this profession in the Republic of Azerbaijan, to improve and improve the standards and standards of internal audit, as well as to ensure professional independence and protect the interests of internal auditors by decision of the Board of Directors of the Institute of International Auditors. On December 7, 2001, four out of seven auditors, the deputy chairman of the accounting chamber and established by the law on the accounting chamber, in accordance with the Law of Azerbaijan "On the accounting chamber" became the launching pad for the practice of the audit company. National Assembly. As a result, since 2002 a legal basis has been formed for the full functioning of the chamber of auditors as the minister of financial organizations.

In 1996-2007, legislative acts were adopted on the law "On Auditing" and the rules "On the Audit Chamber of the Republic of Azerbaijan" with the direct

participation of the Audit Chamber, as well as other documents on the mandatory implementation of audit activities. (Parboteeah K. P. & Cullen J. B., 2017)

The Accounts Chamber is an independent financial body that regulates the activities of the public administration and audit service, protection of property rights of entrepreneurs, state interests, organization of farms and auditors, compliance by independent auditors and auditors with the requirements arising from the legislation of the Republic in the activities of organizations. The camera does not have reports to the legislative and executive departments.

At the moment, the main function of the audit chamber is to organize the work of the audit service in the country and implement measures to improve and improve its activities in order to ensure the reliability and reliability of financial and accounting reporting in all farms property.

The Audit Chamber of Azerbaijan has concluded five international and national audit organizations (international federations of regional accountants and auditors "Eurasia", Ukraine, the Institute of International Internal Auditors (IIR), Quebec, Canada; (UVA), Madrid, Spain, the International Federation of Accountants and Auditors (IFA) , as well as the Eurasian Council of Auditors and Bookkeepers (IFAC) and 15 memoranda) and signed agreements and protocols on cooperation with the chambers with them. (Flower, J. & Ebbers, G., 2012) During 2007, the Chamber of Auditors prepared and approved two bills to improve the activities of auditors: - on internal audit, the main provisions of which relate to the topic of this document; organization and conduct of internal audit; self-regulation of internal audit; rights and obligations of the auditor engaged in internal audit ; liability measures; state regulation and coordination of the internal audit activity; - determines: insurance cases that entailed civil liability; release the auditor from civil liability, the right and obligation of the insurer and the insurance company, the insurance contract and the certificate, identification of the insured, insurance payments and contributions, the procedure of applying for the insured, the insurance is responsible for ethics violations and abuses of human rights.

In accordance with the study, an audit is an entrepreneurial activity approved by independent legal entities and individuals (an audit firm and auditors - individuals) - legal entities participating in economic activity in order to verify the reliability of financial statements and tax reporting, by the owners of a company (organization), interested reporting users and other legal entities and individuals XYZ to reduce the level of information risk to acceptable.

So our definition was reflected: the overall goal of the audit is to confirm the reliability of reports, reduce the risk of foreign direct investment in economic activity; requirements of the Audit department - Certificate of audit; terms - the audit is conducted by an independent auditor. (Ramirez J., 2015) The main purpose of the audit is the best use of financial resources, analysis of the correctness of the calculation of taxes, development of measures to improve the financial situation of the organization, assessment of income, expenses and performance. Accounting reports, as an important source of information, can be used to assess and analyze the dynamics of company resources, forecast income, costs and risks associated with these indicators, determine the investment attractiveness of a company, etc. Users - legal entities and individuals - make decisions, conduct operations with partners, assess the solvency and financial condition of customers, possible risks of entrepreneurship.

Accounting reporting allows you to make management decisions at the macro and micro levels. As you know, the financial statements of organizations are intended for a large number of users. Users of accounting information are divided into two main groups. He makes certain requirements for financial reporting, since decisions made on the basis of accounting information have a direct impact on its quality. These requirements are called quality parameters of reporting information. The audit organization's conclusion on the reliability of the financial statements can be given to users of these statements who want information about the economic organization to be more reliable and therefore have a significant impact on the quality of the financial statements. At the same time, auditors of financial statements are not required to interpret the conclusions of the audit organization as a full

guarantee of its future viability or management's effectiveness. The auditor's report, reflecting the opinion of the audit organization on the degree of reliability of the financial statements, should not be construed as a guarantee of the audit organization (in addition to those indicated in the auditor's report) or may affect the financial statements of the holding. The desire to audit the initiative comes from the management (or owner) of the subject of foreign economic relations and tries to independently minimize the risks associated with foreign economic activity. Attracting loans and borrowings, improving the system of internal accounting and control, etc.

The audit is initiated by many patriotic organizations, including. Many organizations engaged in foreign economic activity are required to conduct an audit. This is due to significant investments in fixed assets in excess of the financial performance of a firm established to conduct a mandatory audit of access to international markets. In this regard, this paragraph takes into account the concept, goals and objectives of verification of foreign economic activity.

## **CHAPTER II. ORGANIZATION OF ACCOUNTING AND AUDITING OF FOREIGN ECONOMIC ACTIVITY**

### **2.1. Functional currency and its impact on the consolidated financial statements of enterprises**

International standards suggest companies to choose a functional currency and convert it. A clear algorithm of action is not specified in IFRS. The management of the companies has only one thing - to apply professional judgment. Consider what points you should pay attention to.

The choice of a functional currency and its translation into the reporting currency (this is necessary if the functional currency differs from the reporting currency) is a key point in IAS 21 "The Effect of Changes in Foreign Exchange Rates". Such a choice and recount should be taken seriously, because the currency

of a certain country affects the formation of prices for goods and services, and, therefore, the financial results of the company. In addition, the functional currency can only be changed in exceptional cases when the operating conditions of the company change.

It would seem that everything is simple: if the company is Russian, then the functional currency is the ruble, if it is American, then the US dollar, etc. However, the variety of practical situations dictates certain difficulties in choosing a functional currency. This issue is especially relevant for Russian companies that have a holding structure or maintain foreign exchange relations with counterparties abroad.

The requirements of IAS 21 and IAS 27 “Consolidated and Separate Financial Statements” allow companies to prepare their financial statements in any currency. At the same time, IAS 21 suggests deciding on the choice of one's own functional currency for each company in the group, whether it is a parent, subsidiary, associate or joint venture. IAS 21 explains: if the presentation currency differs from the functional currency, then the company's business results should be translated into the presentation currency (Ramirez J., 2015).

Example: The Russian company A (parent) has branch B in Ukraine and branch C in Kazakhstan. The functional currency of company A is the Russian ruble, company B is the Ukrainian hryvnia, company C is the Kazakh tenge. The performance of each company is subject to translation into the presentation currency of the group. For example, the Russian ruble may be chosen as such a currency. In this case, the functional currency of company A (unlike the functional currency of companies B and C) will not differ from the presentation currency of the group of companies.

- Differences in the functional and presentation currency may occur if the company has foreign founders or wants to attract financing from foreign investors, as well as in connection with the organization's IPO. Upon initial recognition of a business transaction in functional currency, accounting is carried out at the current rate at the transaction date. Subsequent recognition:

- monetary items in foreign currency should be recalculated at the closing rate;

- non-monetary items that are measured at historical cost in foreign currency must be translated at the exchange rate at the date of the transaction;

- Non-monetary items that are measured at fair value in foreign currency, companies are translated at the exchange rate at the date the fair value was determined.

International standards provide companies with the ability to keep records and accounting registers in a currency other than functional. During the preparation of the financial statements, it will be necessary to recount the amounts in which the records and accounting registers were kept to the functional currency, and also to convert to the presentation currency (if it differs from the functional).

Under IAS 21, an entity should determine a functional accounting currency based on a number of factors.

Sometimes, based on the factors proposed by international standards, it is difficult to determine a functional currency and company management needs to apply professional judgment. In this case, first of all, it is necessary to pay attention to primary factors and only then to additional ones. Companies can give the following recommendations for choosing a functional currency (Бабаев Ю.А, 2016):

- if the company has a holding structure, then in matters of professional judgment a uniform approach should be followed, which should be fixed in the accounting policy of the company;

- it is important to document those factors that were taken into account when choosing a fundamental currency with an indication of additional; it is also necessary to consider other circumstances that may affect the final choice.

- the calculation of the share (in percent) of the currency, in which each factor recommended by IFRS for choosing the fundamental currency, will help to choose the fundamental currency of the company. One of the primary factors recommended by IAS 21: the currency should have the greatest impact on the selling prices of goods and services. For example, a company uses rubles and euros in its activities. If we denote the price of sales of goods and services in rubles and euros for 100 percent and calculate the share of each currency in the price of sales of goods, we

can determine the functional currency. Suppose the calculation showed that the sale of goods and services in rubles is 85 percent of the total sales, and in euros - 15 percent. It is advisable to choose the Russian ruble as a functional currency. In the case of a percentage distribution of currencies of 50 to 50 percent, one should not only use professional judgment, expert judgment, but also not forget that the primary factors in choosing IAS 21 are the primary factors for choosing a functional currency and only then - additional.

Having made the choice of a functional currency, the company's management should document the judgment. Documenting the choice of currency when changing the conditions of doing business will allow you to make a decision regarding the change of functional currency.

The method of currency translation depends on whether the functional currency of the company is the currency of a country with a hyperinflationary economy or not. If it is, then initially you need to recalculate the original statements in accordance with the requirements of IAS 29 “Financial Reporting in Hyperinflationary Economies”.

If the functional currency is the currency of a country without a hyperinflationary economy, IAS 21 proposes a translation using the following requirements (Drury, C., 2015):

- assets and liabilities for each presented balance sheet (including comparative ones) are translated at the closing rate at the reporting date;
- income and expenses for each statement of comprehensive income or separately presented statements of profit and loss (including comparative data) are translated at exchange rates at the dates of the transactions;
- Foreign exchange differences arising are recognized in other comprehensive income.

In practice, if there are no significant fluctuations in exchange rates for the period, you can use the average rate, approximately equal to the exchange rate. International standards do not contain specific methods for calculating the average



rate. The accountant must calculate the average rate on the basis of professional judgment.

We recommend using the average rate for a month, a quarter, a half-year, a year as the average rate.

Example:

Company D prepares financial statements for the year ended 31.12.2011. The reporting currency is Russian Ruble, the functional currency is Euro. We present the euro exchange rate on the last date of each month and calculate the average exchange rate (see the table "Calculation of the average euro exchange rate").

Recall that at present, the following documents can be used as clarifications to IAS 21 (Cascarino, R., 2017):

PKI-7 "Introduction of the Euro";

IFRIC 16 "Hedging net investment in a foreign operation",

IFRIC 7 "Application of the approach to the translation of financial statements in accordance with IAS 29".

Prior to the issuance of IAS 21, as amended in 2003, apart from the standard, other interpretations were in force, which are no longer valid. Among them:

PKI-11 "Currency operations - capitalization of losses resulting from a strong currency devaluation";

PKI-19 "Reporting Currency - Evaluation and Presentation of Financial Statements in accordance with IAS 21 and IAS 29";

PKI-30 "Reporting currency - transfer from the valuation currency to the reporting currency", etc.

**Table 1. Calculation of the average euro exchange rate**

Month	The euro exchange rate in rubles at the beginning of the month, rubles.	The euro exchange rate in rubles at the end of the month, rubles.	The average value for the month, rub.	The average value for the quarter, rub.	The average value for the half year, rub.	Среднее значение за год, руб.
January	40,48	40,66	40,58	40,27	40,34	41,11
February	40,59	40,02	40,31			

March	39,82	40,03	39,93			
April	40,38	40,82	40,61	40,41		
May	40,53	40,07	40,28			
June	40,25	40,38	40,33			
July	40,43	39,53	39,98	41,11	41,67	
August	39,65	41,85	40,75			
September	41,77	43,41	42,59			
October	43,43	42,39	42,91	42,22		
November	42,19	41,86	42,03			
December	41,77	41,68	41,73			

Source: Cascarino, R., 2017, p.36

## 2.2. Translation methods of foreign economic activity

Today, the number of companies that enter into contracts with foreign companies is growing steadily. For their effective work, these enterprises collect data on their partners, on trading floors and the cost of goods on them, on the quality of products and the latest developments.

Such a thorough analysis of foreign economic activity is necessary because it is required by modern methods of conducting any business trying to enter the international trade arena. This process is carried out by professionals who assess the level and specifics of the organization of the company, its financial potential, as well as the current market position, its partnership opportunities, the competitiveness of its participants and other indicators.

When collecting data for analysis of foreign economic activity, the main resources are indicators of accounting documents (income, expenses, turnover, percentage of profit, debit and credit in relation to various debt obligations, financial statements on import and export of products, information on the level of productivity and efficiency of the enterprise, etc. Further).

In addition, when analyzing foreign economic activity, it is very important to evaluate the obtained data on the performance of the company: financial transactions, the speed of “movement” of material resources, profitability, the level of employee productivity, etc.

Domestic business today operates in almost crisis conditions associated with financial and state-legal difficulties, which means with great material risks, dishonest cooperation and high competition. In these situations, company leaders try to act not only to increase profits, but also strive to take into account the needs of partners.

This is the most important factor in the formation of mutually beneficial partnerships with foreign organizations. That is why it is so necessary to analyze the foreign economic activity of those companies with which it is planned to cooperate.

In addition, partner data from open sources can also be useful. They also allow you to determine specific indicators, to identify the effectiveness of different areas of the organization (product sales, financial transactions, product manufacturing), with which the domestic company plans to cooperate.

Analysis of foreign economic activity involves the assessment of information about the company with which it is planned to cooperate. The main open information flows are articles, marketing information, magazines, business literature and so on. With this information, you can get a fairly detailed description of the partner organization. It is worth noting that business literature is the primary source. The information contained in it is provided by specialized organizations that analyze the foreign economic activity of enterprises on the basis of media articles, financial reports, government conclusions and multiple references to these firms in the communities of commercial organizations and partner associations.

Before talking about the means of analysis of foreign economic activity, it is worth touching on the topic of its financial statements, which is an important element in assessing the foreign economic activity of a particular enterprise.

The accounting mechanism of a company’s foreign economic activity has some nuances (depending on which market sector the company is in), having no idea

about which it is impossible to guarantee the accuracy of data on the company's work with foreign partners (Heidrich C. S., 2015).

The object of accounting for the company's work on the foreign market is the material and economic agreements of legal entities or individuals in the implementation of certain operations with domestic and foreign partners.

The main goals of preparing financial statements of any type of cooperation with foreign companies are:

- Competence and compulsory adherence to relevant standards that coordinate accounting of the company's activities in the foreign market;
- Accounting of general accounting data for various goods, which is maintained on synthetic accounts, and detailed information on the movement of products;
- Establishing the essence of the process of accounting for the characteristic properties of a certain type of action, taking into account the commercial nature of their implementation;
- Registration of transactions using foreign and domestic monetary units (at the exchange rate on the date of the action and the date of the report with the difference in the accounts);
- Tax accounting for various categories of business functioning of the company in the foreign market, taking into account the concluded contracts;
- Organization of an accounting strategy using the characteristic principles of the accounting mechanism by type of company activity in the foreign market;
- Development of an accounting program for tax payments in order to guarantee the inviolability of the consignment received or dispatched and to monitor the implementation of the contract;
- Estimation of the value of imported products on the foreign market, expenditures for the manufacture and sale of goods for export and calculation of economic results for the types of products for each contract;
- Compilation of a report to form governing resolutions;

- Guarantee of the inviolability of products at customs and in other places, including during the movement from point to point;
- Verification of the implementation of sections of contractual obligations (temporary periods of shipment-unloading, comprehensive payment of bills, etc.)
- Formation of all types of reports in accordance with Azerbaijan law and their timely transmission to relevant legal entities.

For all the tasks of the financial reporting process to be performed properly, you must always follow certain standards.

The most important type of foreign economic activity, which has a major impact on the economic development of our country, is trade between Russia and other countries (export and import of goods and services). Therefore, when conducting accounting of various operations with foreign enterprises, it is imperative to keep in mind the nature of agreements inherent in some areas of the national economy, for example, in agricultural production, an increased volume of export of raw materials and import of special equipment and agricultural equipment is noted. The composition of such a turnover significantly affects the verification mechanisms and payment methods for obligations.

Many methods, the difficulty of organizing them, as well as the conduct of foreign trade processes, increase the need for more detailed supervision of the contracts of partner companies involved in the export and import of products. Observation and analysis of foreign economic activity is carried out by both government bodies and legal and accounting departments of the enterprises themselves. The control is carried out for preliminary and basic operations in the areas of legislative requirements, proper payment, as well as the transport of goods and their delivery time. But a contract can be considered thorough only if the supervisory structure itself undergoes reforms that guarantee a fast flow of important data that directs all the company's work in the right direction, and also forms a financial reporting structure that meets all legal and contractual conditions. (Hove M. R., 2016)

The development of the accounting structure of any enterprise depends on the characteristics of fixing all processes of import and export of products. However, when analyzing foreign economic activity, it can be noted that these features sometimes lead to incorrect or inaccurate reflection of the necessary data.

In the process of preparing financial statements on foreign trade operations, it is important to take into account the conditions specified in the legislation of the Azerbaijan, as well as the material condition of the company and the taxation system that is in force in it.

Organizations acting as subjects of foreign trade themselves create their own system of financial and tax reporting, based on legal norms. In this process, it is very important to identify factors that can provide accurate financial accounting data, as well as tax aspects (transportation and receipt of goods, sponsorship, and so on). These are integral components of the analysis of the foreign economic activity of an enterprise, which are determined by its owner.

It is necessary to consider the preparation of initial documentation. Initial reporting documentation is issued either in the usual or in electronic form (a computer signature must be present here). When analyzing foreign economic activity, it is very important to pay attention to what currency is present in the documentation.

In order for the documents to be ready on time, the companies draw up a special plan for processing all the necessary papers, which contains information about who, for whom, when (that is, the deadlines) and what is required to transmit. The company employees responsible for this process should study this plan. As a rule, this happens as follows: such employees are given excerpts from the plan, which indicates documentation that belongs to a specific department in which the person works. Any specialist is responsible for properly following the documentation transfer plan. The complete process of submitting all reports is monitored by the chief accountant of the company. When analyzing foreign economic activity, it is very important that all documents are drawn up correctly.

Foreign trade companies always ensure that the documentation is completed on time, because it is necessary to carry out transportation, follow the tax system and transport goods abroad. Therefore, the components of competent reporting are: (Kumar R. & Sharma, V., 2015).

- A list of employees who can approve documentation;
- Methods of supervision;
- Plan for the transfer of documentation;
- Samples of source documentation.

For the analysis of foreign economic activity and competent trade, it is very important to identify the structure for determining currency priorities. A translation system for all currency-related processes is established by AR 3/2006 and approves the maintenance of financial statements for both monetary units with indication of comparative data. This reporting element assumes the presence of:

- A list of process execution dates in other monetary units;
- Translation methods, as well as indication of comparative data on exchange rate indicators.

In all accounting documents tangible amounts are indicated in both currencies. That is why orders for financial statements must contain their own or proposed by the Ministry of Finance of the Azerbaijan samples of reporting acts.

The collection of data for the analysis of foreign economic activity requires information on the processes of transportation of products, as well as on the preparation of border documentation. This requires a complete and evaluative reporting on the transport of goods. Therefore, the accounting system always contains special factors.

To emphasize the reporting features, the accounts are assigned a three-digit number (for primary sub-accounts), a four-digit number (for secondary sub-accounts) and so on. The completeness of all documentation related to invoices plays an important role in organizing supervision of the costs of acquiring and transporting products, collecting data on payments to foreign colleagues and border structures, for the timely payment of taxes, and so on.

The foreign economic activity accounting strategy is a set of accounting methods: initial observation, cost measurement, current grouping and final generalization of facts of material, economic and production activities of an enterprise (according to Article 11 of the Tax Code of the Azerbaijan).

In the process of forming the tax structure, companies conducting foreign trade must take into account the Tax Code of the Azerbaijan. It is especially important to apply it when paying VAT and corporate income tax.

When analyzing foreign economic activity in the field of VAT payment, it is worth considering several important details:

1) The moment of revealing the value added tax shall be considered the end date of the month when all the necessary documentation on the approval of the possibility of using this tax in the zero amount has already been completed. In the case when documents are not executed within six months (from the moment of the last inspection by the border authorities of the acts of transporting goods), the date of identification of the tax form is the very first dating, that is, the time of alienation of the product or the moment of settlement for the proposed transportation;

2) This moment is both the date of calculating the value added tax and the number of revealing the profit transferred from foreign currency units to the currency of the Russian Federation (a very important factor in the analysis of foreign economic activity). The owner of the company is obliged to appoint employees who will be able to answer for the correctness and timing of tax documentation;

3) If an enterprise uses different tax rates (0%, 10%, 18%), then it needs to create a structure for preparing financial statements and determining profit for any type of product when applying a particular tax rate. In order for everything to be properly composed, you need to create (Nobes C., 2014):

- numbers of the appraisal statements to the documentation on profit, costs and income tax on existing production values;
- samples of accounting documentation, which contains all the necessary data on accounting and taxes.



4) In order to correctly conduct an analysis of foreign economic activity, you need to guarantee yourself a distributed accounting of the costs of manufacturing and selling goods to which VAT = 0% applies, products with 10% and 18% rates, and products for which tax is not charged . The competent compilation of tax accounting depends on this, as well as:

- deductions in the category of products for which income tax is not charged. The size of the available values for the manufacture of this product belongs to the costs associated with the production of goods, that is, is reflected in the form of its cost. When a company sells its products for which a certain percentage of income tax is accrued, it is very important to determine the tax that is reflected in the received invoice;

- deductions in the product category with 10% and 18% rates, which are reflected in the accounting periods. This factor is very important to fix in the analysis of foreign economic activity of the enterprise;

- deductions in the category of goods with VAT = 0%, which is reflected in the accounting periods, where the possibility of using this rate in the import process is approved;

5) It is necessary to draw up and introduce elements of the organization of financial statements designed to systematize and accumulate information contained in primary documents, as well as to analyze the foreign economic activity of the enterprise;

6) It is necessary to identify the period and structure of the preparation of a document of a strictly established form, which is issued by the seller to the buyer after the release of the goods and serves as the basis for acceptance for deduction or refund of VAT. In addition, it is important to file and keep these invoices on time. This is necessary so that the analysis of foreign economic activity takes place without any difficulties;

7) It is necessary to appoint employees who will be responsible for the preparation and transfer of documentation to the department of the Federal Tax

Service, which contains information about the transportation of products and the possibility of using interest-free tax on profitable value;

8) It is necessary to identify specialists who can approve tax documentation;

9) When analyzing the foreign economic activity of the enterprise, it is worth noting the structure of its reporting for the factors of the tax system:

- a system for recording comparative currency results at the time of sale or purchase of products in foreign currency units or at the end date of the current month;

- the moment of determining the costs recorded in a foreign currency, according to the CBR rate at the time of the operation;

- the moment of obtaining the right to use a foreign currency for costs and profit from operations carried out with it;

- the moment of accrual of profit from the sale of goods;

- a method for identifying certain types of costs and profits (that is, accruals or cash registering);

- analysis of the foreign economic activity of the enterprise (profit recorded in a foreign currency unit at the Central Bank exchange rate at the time this profit was revealed);

- a system for determining calculation factors that are taxed (by double fixing on current valuation categories to accounting accounts) are grouped according to certain criteria and are intended to summarize information on certain types of property, liabilities or capital; or by the method of additional documents that summarize information on the availability and movement of values not owned by the organization; or by the method of tax financial data); tax reporting method, which is very important when analyzing the foreign economic activity of an enterprise.

In order to correctly analyze the foreign economic activity of the company, it is necessary to identify a large number of circumstances, divided into factors of assessment and efficiency. The importance of the latter depends on the former. Evaluation factors - this is complete information about projects and upcoming tasks, as well as about concluded contracts. Efficiency factors are real and imagined (Parboteeah K. P. & Cullen J. B., 2017).

The real factors are considered, as a rule, the numerical indicators of the analysis of foreign economic activity related to the work already done for a certain period. Information about the results of the organization's work, which is only planned to be achieved, is supposed.

The procedure for the analysis of foreign economic activity of the enterprise should contain:

- 1) Dynamics of changes in export volume:
  - in full, including individual product categories in an integral quantity;
  - in percentage terms;
- 2) Competitiveness of exported goods:
  - situation in the international economic "arena";
  - priority for the consumer of a particular brand;
- 3) Innovation of exported goods:
  - the percentage of cost reduction in the sale of products, which appeared due to the use of modern equipment;
  - the percentage of goods sold that are relatively recently on sale;
  - quantitative indicators of sales of new products abroad (important in the analysis of foreign economic activity);
- 4) Export Profitability:
  - income from sponsorship programs;
  - percentage of income from the sale of certain product categories;
  - percentage of income from the entire process of selling goods.

Analysis of foreign economic activity can be carried out in different ways (depending on the goals and objectives of the enterprise).

So, the simplest method of economic analysis of foreign economic activity is the calculation of many factors (that is, comparing the achieved efficiency with the costs of the tasks).

In the process of product sales, the relevant costs ( $Z_e$ ) consist of: (Tong, T., 2013)

- Cost of exported goods ( $S_t$ ) - this is the cost of manufacturing goods that are planned to be transported abroad;
- Freight forwarding costs ( $T_{er}$ ) - this is the cost of transportation of products;
- Other expenses ( $P_r$ ) - this is the signing of contracts, financial costs, insurance, drawn up for the products, the cost of their transportation and so on.

Profit from sales ( $D_e$ ) represents income denominated in monetary units and accrued to the company in Azerbaijan currency.

To analyze the foreign economic activity of the product sales process, a number of numerical indicators are used:

1) Export Efficiency Ratio ( $K_e$ ):

$$K_e = D_e / S_t + T_{er} + P_r = D_e / Z_e$$

when  $K_e$  is more than one, the sale of products is considered effective (these are directly proportional indicators)

2) Export Effect Index ( $P_{ee}$ ):

$$P_{ee} = O_{pf} + V_r - Z_e, \text{ if:}$$

$O_{PF}$  is the amount of money in a Azerbaijan currency unit transferred to a company's currency fund (WF). EF is identified by clarifying the indicators of income in AZN at the Central Bank exchange rate at the time of accrual of material resources;

$V_r$  - is the income from transferring a share of the currency to state bodies, expressed in Azerbaijan currency.

It turns out that the analysis of the foreign economic activity of the enterprise according to these indicators requires taking into account a large number of aspects (volume of transported products ( $K_e$ ), contract value ( $V$ ), dynamic factor of the CBR rate ( $R$ ), degree of costs in foreign currency ( $N_i$ ) and in domestic currency ( $H_p$ ), as well as the amount spent on the manufacture of goods ( $C$ ). The calculation of these indicators reflects the dependence of efficiency on the presented points. This is the most important part of the analysis of foreign economic activity.

Assessment of the dynamics of the coefficient of productivity of sales abroad is determined by the following formula:

$$K_e = (K \times V \times R) - N_i / (K \times C) + H_p$$

It is important to take into account: the sales efficiency does not depend on the volume of transported products, and therefore, in the initial formula, the reflection of value with the current indicator of the quantity of goods on the effectiveness of transportation is estimated.

### **2.3. How auditing of foreign economic activity is organized?**

The main objective of the audit of export operations is to express an opinion on the correctness of reflection in the accounting of proceeds from the sale of export goods (works, services), on the reliability of the formation of the financial result from export transactions.

Sources of information for conducting an audit of accounting for export operations are: (Walton, P., Haller, A. & Raffornuier, B., 2013)

- order on accounting policies of the enterprise;
- foreign trade contracts;
- agreements with transport and intermediary organizations;
- contract registration book;
- expense reports;
- bank documents;
- invoices;
- invoices;
- product reports;
- cargo customs declarations and shipping documents;
- statements of accounting of finished products;
- statements of accounting for shipped products;
- main book;

- Book of purchases;
- sales book;
- order books;
- tax returns and financial statements.

The procedure for conducting accounting of export trade operations by organizations substantially depends on the conditions contained in individual foreign economic agreements (contracts) used in the business turnover of the organization of settlement forms with foreign buyers, as well as on the form for an Azerbaijan supplier of exported goods to enter the foreign market independently or through an intermediary.

The following stages of the audit of export operations can be distinguished:

- Studying the terms of foreign trade contracts and comparing them with passports of export (import) transactions;
- Audit of the correctness of the calculation of the final financial result from the export (import) transaction;
- Audit of sales and settlements with foreign buyers;
- Audit of the movement of export (import) goods from a supplier to a buyer;
- Checking the correctness of the calculation and reflection of exchange rate differences;
- Audit of overhead costs for export (import);
- Audit of export (import) VAT.

Audit of export operations involves the following procedures:

- analysis of documents (contracts, transaction passports, invoices, bills of lading, international waybills, etc.) confirming the formation of payables or receivables denominated in foreign currency;
- verification of transfer of ownership of export transactions (in accordance with international law or export contracts);
- verification of VAT refunds when exporting goods;

- audit of export operations with the participation of an intermediary (commission agent, agent, etc.).

During the audit of export operations, the auditor should pay particular attention to:

- checking the validity of write-offs of costs incurred on the cost of exported goods, since in the case of write-offs on the cost of production of non-production costs, distortion of the financial result from the sale of exported products may occur.

As a source of information, the auditor uses analytical accounting of overhead costs;

- checking the obligations of the exporter for the supply of products (goods, works, services). At the same time, the auditor uses shipping documents;

- verification of open sub-accounts to account 45 "Goods shipped". These may be the following sub-accounts:

- subaccount 45-1 "Goods shipped on the territory of the Russian Federation";

- subaccount 45-2 "Goods shipped for export";

- checking the correctness of calculation and reflection, resulting exchange differences;

- checking the correctness of accounting of advances received from foreign counterparties;

- verification of the validity of applying a VAT rate of 0%;

- control the correct calculation of the financial result and export transactions.

According to the rules (standards) of auditing, there are three main stages of the audit (Fountain, L., 2016):

1. Planning an audit.

First of all, the auditor needs to get acquainted with the business of the client, his organization, with the industry in which the company operates. There is also an acquaintance with the organization and maintenance of accounting, the internal control system.

According to the rule (standard) of audit activity No. 4, the auditor must evaluate the level of materiality and its relationship with audit risks.

To conduct an effective audit in accordance with the rule (standard) of audit activity No. 3, an audit plan and program is developed.

2. Collection of audit evidence: verification of turnover, account balances; analytical procedures; testing controls.

3. Completion of the audit, ie formation of the opinion of the auditor and preparation of final documents.

We will illustrate the procedure for conducting an audit of export trading operations using a practical example based on the data of the company Associated Cartographic Center CJSC (ACC CJSC). JSC "ACC" is involved in the preparation and preparation for publication of maps and atlases. Among the contractors of this organization there are both foreign suppliers and foreign buyers.

The procedure for testing the internal control system.

The audit technique of export trading operations largely depends on the state of the system of internal (on-farm) control of the audited entity. The verification of the internal control system is carried out before drawing up a plan and program for checking export trade operations. To do this, resort, as a rule, to a survey (written and oral) of the employees of the enterprise. Mostly they check works that were not subjected to control at all or were little controlled by accounting (or other internal service of the enterprise).

To evaluate the internal control system, it is advisable to conduct testing. Tests of controls are performed to obtain audit evidence regarding effectiveness:

a) the structure of accounting and internal control systems, that is, how well organized they are in terms of preventing or detecting and correcting material misstatements;

b) the performance of internal controls during the period under review.

(Appendix 1)



According to the answers provided by the employees of the accounting department, it can be concluded that the level of the internal control system for the implementation of export trade operations corresponds to the "average" rating.

Preparation and preparation of an audit program is the final stage of planning an audit of export operations. According to Rule (Standard) No. 3 "Audit Planning," the audit program is a detailed breakdown of the auditor's actions and audit procedures necessary to implement the overall audit plan.

The audit plan of CJSC "Associated Cartographic Center" is presented in Table 3.

The audit program of CJSC "Associated Cartographic Center" is presented in Table 4.

Audited organization CJSC "Associated Cartographic Center". The number of man-hours is 120. The head of the audit team. The composition of the audit team. The planned audit risk is 5%. Planned materiality level 5%

**Table 3. The audit plan of CJSC "Associated Cartographic Center"**

№	Planned activities	Period	Executor	Link to RD
1.	Accounting policy audit			
2.	Audit of cost accounting of exported products (work in progress).			
3.	Audit of accounting for settlements with buyers of exported goods.			
4.	Audit of accounting operations in foreign currency accounts.			
5.	Audit of compliance by exporting organizations with tax legislation.			

6.	An assessment of the applicability of the going concern principle.		
----	--	--	--

Source: <https://muhasib.az/Muhasibat/teshkili/mmus.php>

## Audit program

Audited organization CJSC "Associated Cartographic Center".

The audit period is 2019. Number of person hours 120

Head of the audit team. The composition of the audit team

The planned audit risk is 5%.

Planned materiality level 5% (appendix 2)

The final stage of the audit is the audit report.

In accordance with a special audit assignment received from the executive body of the Associated Cartographic Center CJSC, we carried out an audit of the export operations of the said organization as of December 31, 2019.

The responsibility for the accuracy of the information provided lies with the management of CJSC "Associated Cartographic Center".

Our responsibility was to express an opinion on the correctness of reflection in the accounting of proceeds from the sale of export goods (works, services), on the reliability of the formation of the financial result from export transactions.

The work was carried out in accordance with federal rules (standards) of audit activity.

In accordance with the above rules (standards), we planned and carried out an audit in accordance with the audit assignment in order to obtain a sufficient level of confidence that the correct reflection of the revenue from the sale of export goods (works, services) and the reliability of the formation of the financial result from export transactions are not contain significant distortion.

The audit included the study of evidence confirming the correctness of accounting for the revenue from the sale of export goods (works, services) and the reliability of the formation of the financial result from export transactions.

We believe that the audit carried out is a sufficient basis for the formation of our opinion.

In our opinion, the reflection in the accounting of the proceeds from the sale of export goods (works, services) and the formation of the financial result from export transactions are reliable in all essential aspects.

Head of an audit organization with the right to sign audit reports

Team Leader: \_\_\_\_\_

## **CHAPTER III. IMPACT OF FOREIGN ECONOMIC ACTIVITY ON FINANCIAL POSITION AND PERFORMANCE OF ENTERPRISES**

### **3.1. Potential impacts of foreign economic activity on financial statements of an enterprise**

Active foreign economic activity involves a special approach to accounting. So, accounting for foreign economic activity is inherent in all the problems facing the entire system, but at the same time, the specifics of foreign economic activity imposes certain requirements for accounting and reveals certain accounting problems.

The problem or issue of accounting for foreign economic activity, which must be resolved in the first place, can indicate the organization of its accounting. Accounting for foreign economic activity is based on such accounting principles as: the continuity of the enterprise, property isolation and temporary certainty of the facts of activity. These accounting principles should be incorporated into the accounting policy of the enterprise, therefore, accounting for foreign trade activities begins with the development of accounting policies.

The accounting policy will reflect all the features of the activities of foreign economic activity that are associated with export, import, foreign exchange transactions, business trips abroad and other operations. To develop accounting, the chief accountant must be guided by National Standard No11 “Accounting policies,

changes in accounting estimates and errors”.

(<https://muhasib.az/Muhasibat/teshkili/mmus.php>, 2019)

To begin with, the company must have developed a working chart of accounts. We mentioned that in Azerbaijani accounting there are no separate accounts to reflect foreign economic activity, therefore this problem can be solved by opening sub-accounts of the first and second order to the main accounts reflecting the movement of material assets and their implementation, obtaining financial results from foreign economic activity, etc. Examples of opening such sub-accounts are given in the second chapter.

When developing a work plan, the accounting method, the method for determining the initial cost of goods, as well as the method of accounting for business expenses should be fixed. So in the Republic of Azerbaijan, according to National Standard No. 11, the accrual method is used. Business transactions using this method are reflected at the time of transactions, and not at the time of payment of funds.

Such an important point as the timely adoption of imported goods for accounting is the transfer of ownership rights to them. This right should be reflected in the foreign trade contract. This will allow you to accurately choose the exchange rate of the Central Bank of the Republic of Azerbaijan for taking such goods into account, as well as avoiding disputes with the counterparty over expenses, for example, commercial ones. In world practice of international trade, special rules have been developed called INCOTERMS (International Rules for the Interpretation of Trade Terms). They provide for the establishment of the moment when the seller is obliged to transfer the goods to the buyer. Such a moment may be the date of actual acceptance of imported goods by the importer.

Upon receipt of goods that were previously accepted for accounting, the specified operation will be displayed within the same synthetic account. If the exporter remains the owner of the imported goods for a certain time, then they should be credited to the off-balance account “Inventory accepted for safekeeping”. The basis for the recognition in accounting of imported goods and their capitalization are

various transport documents, documents of customs services (Fountain, L., 2016). Compliance with the deadlines for submitting documents by organizations is important for customs, and for currency, and for tax control. In this regard, the elements of accounting policies are:

- samples of forms of primary documents;
- workflow schedule;
- means of internal control;

- a list of persons authorized to sign documents, etc. (Heidrich C. S., 2015) In accounting, a workflow schedule for foreign trade operations should be developed, those responsible for the execution of documents, their processing and storage should be identified. For this, primary documents can be divided into several groups. So, commercial documents may include invoices, bills of lading, certificates, commercial acts, customs documents - customs declarations, and financial documents related to currency regulation, for example, certificates of identification of foreign exchange transactions. As analytical registers of accounting for foreign trade activities use the journals received and issued invoices, various books (sales). Examples of accounting registers can be (Bhardwaj K. K., 2012): the register of analytical accounting “Accounting for financial results in the context of foreign buyers and contracts”. This makes it possible to evaluate the financial result of the enterprise for each export supply, to monitor the formation of profits in the context of each foreign partner-buyer, to calculate and make a profitability forecast for the transaction; Register of analytical accounting “Register of documents on export supplies and Calculation of their tax base”. Using this register will allow you to generate information for tax and customs authorities, to control the accrual and payment of taxes in time established by law. reference register “Calculation of VAT on export deliveries”. Maintaining a reference register makes it easier to record VAT; Register of analytical accounting “Formation of the actual cost of goods for each export contract” For example, “Accounting for financial results in the context of foreign buyers and contracts”, in our opinion, may look like this (conditional example of Shamkir Terevez company) (table 5):

**Table 5. Accounting for financial results for the company "Shamkir Terevez" in the context of contracts for the 1st quarter of 2017**

№ contract customer code	Revenue	Expenses			Contract financial result, manat
	Debit 233 - Credit 211/08	202/08 "Production costs, manat	221/08 Selling expenses, payment of duties, manats	Total costs, manat	
1	2	3	4	5	6
21001	17003,00	12000,00	560,00	12560,00	4443,00
21002	25000,00	17500,00	830,00	18330,00	6670,00
15003	19500,00	13650,00	647,00	14297,00	5203,00
Total	61503,00	43150,00	2037,00	45187,00	16316,00

Source: Cascarino R., 2017, p.74

To simplify the calculation of costs, in our opinion, each contract can be assigned a specific number (cipher code), then all types of raw materials, materials, wages and other expenses incurred to fulfill this contract by item groups, as well as commercial expenses incurred for this contract will also have this code, and information can be entered in the registers of analytical and synthetic accounting. With mechanized or automated processing of information, for example, the application of the 1-C Accounting program, this is a completely feasible task.

One of the problems in accounting for export operations is the timely reflection of revenue in accounting and tax accounting. To solve this problem when concluding a foreign trade agreement, you need to pay attention to the moment of transfer of ownership to a foreign buyer. At this moment (the moment of transfer of ownership) the price is determined at the rate of the Central Bank of Azerbaijan.

From this problem follows the following - this is the qualification of an accountant, leading foreign trade activities. The accountant must know the rules of INCOTERMS and the Vienna Convention. Incoterms (Incoterms) are international rules that are recognized by state government bodies, law firms and commercial organizations around the world, they interpret the terms used in international trade (Cascarino R., 2017). Currently, the rules for the interpretation of trade terms INCOTERMS as amended in 2010 apply. An example of Incoterms terms is given by us in Table 6. In contracts, according to INCOTERMS, the costs of the seller and the buyer are determined, the moment of risk transfer, for example, from property damage, theft or accidental death on the way from the seller to the buyer, and other nuances associated with foreign trade activities are established. The Vienna

Convention on the Law of Treaties was adopted on May 23, 1969. According to this convention, each state has the legal capacity to conclude contracts. On April 11, 1980, the Vienna Convention on Contracts for the International Sale of Goods was adopted (Drury, C., 2015).

**Table 6. Classifier of terms of delivery of goods of participants of foreign trade activities (INCOTERMS)**

<b>Name of delivery terms</b>	<b>Code</b>	<b>Name of loading / unloading point</b>
Ex factory	EXW	Factory Location
Free carrier	FCA	Indicated place
Cost and Fract	CFR	Specified Destination Port
Cost, Insurance and Fract	CIF	Specified Destination Port
Carriage paid until	CPT	Specified Destination
Delivery without payment of duty	DDU	Specified Destination

Source: Drury, C., 2015, p.125

Also, the accountant should be guided by the tax and customs codes of Azerbaijan. This is necessary for the calculation of taxes taxable in accordance with these rules, as well as in the formation of the tax deduction of VAT on material assets.

For example, in the Tax Code of Azerbaijan, Article 164. “Tax exemption” and Article 165 “Tax collection at zero (0) rate” (<http://ask.org.az/wp-content/uploads/2018/11/The-Tax-Code-of-the-Republic-of-Azerbaijan.pdf>, 2019) the zero rate applies to imported equipment, technological equipment and installations for technological parks. An important problem is the separation of cost accounting for foreign economic activity and costs for the production of products sold domestically. If direct costs are not so difficult to share, then indirect costs, in our opinion, should be apportioned in proportion to the economically sound basis. The basis may be, for example, the amount of direct costs for products manufactured for export, or the amount of products manufactured for a specific order.

The development of foreign economic relations in Azerbaijan is a significant factor in expanding the ability of enterprises to develop new market segments to increase their profitability. The effectiveness of such enterprises depends on the

objectivity, timeliness and comprehensiveness of the assessment of the existing and expected financial condition of enterprises. The results of financial analysis, regardless of whether the company has access to the international market, are always of interest to a wide range of market entities:

- the enterprise itself, which wants to know an unbiased opinion about its activities and develop measures to improve it;
- investors interested in the effectiveness and acceptable riskiness of investing their funds;
- lenders and suppliers who want to make sure the solvency of the enterprise;
- business partners who seek to establish stable and reliable business relations with the enterprise (suppliers, consumers, transporters, insurance companies, etc.);
- structures outside the enterprise (for example, the State Tax Administration wants to verify the ability of the enterprise to pay taxes, trade unions - the stability of employee employment and the ability to pay wages in a timely manner, charitable organizations - the potential ability of the enterprise to help).

The formation of a market economy in Azerbaijan, the ability to enter international markets, and the priority of financial resources objectively contributed to the development of such an important area of analytical work as financial analysis of foreign economic activity (FEA).

Financial analysis of foreign economic activity - a set of analytical procedures that are based on publicly available information of a financial nature, including foreign partners. These procedures are designed to assess the state and effectiveness of using the economic potential of an enterprise. Financial analysis of foreign economic activity is a process that represents the identification, systematization and analytical processing of available financial information. In the financial practice of foreign economic activity, identification is understood as the definition of compliance of the reporting data of foreign enterprises with the domestic system of indicators.

During the financial analysis, it is necessary to take into account the influence of such factors on foreign economic activity: the general level of economic and



political development of the country; the nature of interstate agreements; product competitiveness; its popularity in the world market; advertising support for products on the international market.

The principle of business continuity in the preparation of financial statements - management should assess the ability of the enterprise to continue its activities in the foreseeable future. The financial statements should be prepared on the assumption of going concern, unless management either intends to liquidate the entity or terminate business. In assessing whether the going concern assumption is correct, management considers all available information about the future, which covers at least twelve months after the reporting date, but is not limited to this period. Accrual principle. The essence of the principle is that the income and expenses of the enterprise are reflected as they arise, and not as the actual receipt or payment of cash or cash equivalents.

The results of transactions are recognized upon their occurrence and are reflected in the financial statements of those reporting periods in which they occurred. The financial statements prepared on the basis of the accrual method provide users with information not only about past transactions, including payment and receipt of cash, but also about future obligations to pay cash and expected cash receipts. The basis of IFRS also includes the following qualitative characteristics, which are designed to make the information contained in the financial statements useful to users: comprehensibility; relevance; reliability (reliability, completeness, neutrality, prudence, the predominance of essence over form); comparability etc. The financial analysis of foreign economic activity is guided by the following principles Alexander D. & Britton A., 2014)

- the presence of a clear program analysis with the definition of goals, desired results and available resources;
- the construction of the scheme of financial analysis of foreign economic activity on the principle of deduction (from general to particular) in contrast to the classical financial analysis, which is built on the principle of induction;

- the choice of the method of financial analysis of foreign economic activity should be based on expediency and justification;

- the advantage of determining patterns, rather than obtaining accurate estimates;

- based on the principle of multifactorial external economic environment, the results of any analytical procedures should be considered as subjective assessments, and not an indisputable argument for making a decision.

The objectives of the financial analysis of foreign economic activity:

- assessment of the international capital market, goods, services that match the capabilities of the enterprise, seeks to enter the international market - assessment of the state of the foreign trade enterprise in the international capital market, goods, services.

- what niche the enterprise stably occupies in the market of these products (CIS, non-CIS countries), what are the trends of this state, the dynamics of their own indicators;

- investment activity - where to invest money?

- search and optimization of sources of financing optimal source structure?

- prefer to mobilize additional sources, etc.

- Current activities - Provide working capital to the rhythm of the business process?

- an objective and comprehensive assessment of performance in comparison with invested capital and current expenses;

- the feasibility of establishing or continuing business contracts with certain foreign enterprises - what financial condition of the actual or potential counterparty is the counterparty reliable in fulfilling its obligations, what conditions of the agreement can be expected from a specific potential supplier, etc.

A financial analysis cannot be considered complete if it does not cover all areas of the enterprise and consists only of numbers. A qualitative analysis should precede a quantitative analysis, since it can be used to establish problems relevant to the enterprise regarding indicators of its foreign economic activity. It is necessary to

take into account the significant influence of external factors: changes in the price level of material and technical resources, in international markets, in particular on energy carriers, changes in bank interest rates, changes in tax legislation. According to the results of the analysis, measures are developed to improve the financial condition of the enterprise.

### **3.2. The organization of auditing with the purpose of reducing a negative impact of foreign economic activity on financial condition and performance of an organization**

An audit of foreign economic activity is an independent audit of the accounting (financial) statements of an organization engaged in foreign economic activity with the aim of expressing an independent opinion on the reliability of the reflection in it of operations related to the execution of foreign trade activities in all significant aspects.

The purpose of the audit of the foreign economic activity of the enterprise is to establish the correctness of the display of operations for the purchase and sale of foreign currency, the fulfillment of the terms of contracts, export - import operations in the accounting and financial statements of the enterprise on the basis of the submitted financial and tax reports, data of analytical and synthetic accounting, primary documents. Compliance of these documents with applicable laws and regulations on foreign economic activity, the validity of such operations, the correct determination of financial results. The auditor's task is to check the status of the financial and economic activities of the organization engaged in foreign economic activity, the organization of accounting at the enterprise and the reliability of reporting for a certain period, formulate objective conclusions, give necessary recommendations.

In most sources on practical audit there is no unambiguous approach to this object of audit. As a rule, accounting issues are considered, and the applied methods do not provide an integrated approach to the use of not only on-farm, but also

customs and currency accounting as a source of information for audit evidence (Cascarino R., 2017).

In addition, when conducting audits of import and export operations, it is necessary to verify the legality of these operations. A situation arises when, when organizing and maintaining accounting records according to the usual schemes worked out by operations of the domestic market, there is a risk of violation of the law and distortion of the accounting statements, as those responsible for financial activities may not suspect and systematically make unintentional mistakes. And the payback for such errors when they are discovered by law enforcement agencies is sometimes inadequate for their significance in the economic activities of the organization. Thus, the verification of the legality of certain business transactions can be carried out as part of the audit plan for annual reporting, or as a separate, so-called thematic audit.

It should be noted that the organization's reporting is subject to annual mandatory external review by an audit organization, which, in accordance with the law, has the right to carry out such checks. At the same time, the audit organization is obliged to draw up an opinion on the results of the audit, containing information on the reliability of the financial statements of the organization, the quality of the organization's management, the state of internal control and other provisions determined by laws and the charter of the organization engaged in foreign economic activity (Ramirez J., 2015).

In practice, the mixed approach finds the most frequent application, according to which it is advisable to start the audit by familiarizing yourself with the financial statements to identify and group items by their significance, that is, use a disaggregated approach. Then, in the presence of various foreign trade contracts, the articles of the balance sheet are determined, on which export and import values should be reflected, that is, the auditor should determine the group of relevant articles in the balance sheet, and then proceed to the detailing of accounts, separating them from import and export tangible and intangible values. Next, it is necessary to proceed to the consideration of the peculiarities of foreign economic operations as a

whole as a separate audit object, taking into account the specifics of this type of transaction, where there are the same type, often repeated operations that can be checked in cycles, and one-time, but significant operations that should be checked by objects.

The set of indicators characterizing the impact of foreign economic activity on the financial condition of the organization is determined by the tasks facing the auditor when analyzing the financial and economic activities of the client. The system of indicators for the financial analysis of foreign economic activity should be such that, based on the results of this analysis, the auditor can obtain the most reliable information that allows him to substantiate his conclusion about the possibility of further functioning of the audited organization.

Evidence of doubts about the applicability of the assumption of continuity of the organization may be obtained by the auditor as a result of certain audit procedures, among which are:

- discussion with management personnel of forecasts of profit and cash flow,
- familiarization with the minutes of the general meeting of shareholders, meetings of the board of directors, executive body,
- study of the terms of loan and credit agreements.

The analysis of the information received should be aimed at identifying facts indicating difficulties in financing the activities of the client. For the same purposes, the situation with the execution of orders is studied and the reasons for their non-fulfillment are analyzed.

The ability of the audited economic entity to continue further activities and fulfill its obligations can be affected by events that occurred after the reporting date, which, therefore, should also be analyzed by the auditor

To clarify the situation in the organization, written explanations of the management regarding what measures are planned to be taken to improve the financial condition of the economic entity can be made. As such measures, sale of property, receipt of borrowed funds, cost reduction, debt restructuring, etc. can be planned.

Taking into account all the aggregate information, the auditor concludes that it is possible to apply assumptions on the going concern of the organization to the audited economic entity. Since the conclusion is extremely important for users of financial statements, but it is impossible to draw objective conclusions on separate scattered facts, the auditor should carry out a financial analysis of the organization. The task of financial analysis in an audit is to confirm the financial stability of an organization or to detect signs of financial instability with its help.

If foreign economic activity occupies a significant share in the client's activity, then it can be it that can have a significant impact on his financial situation (Tong T., 2013). Therefore, the system of indicators for the financial analysis of foreign economic activity should be aimed at determining the nature of this influence, establishing those phenomena that adversely affect the financial condition of the organization, and identifying unused opportunities to strengthen its financial stability.

In accordance with existing practice, the criterion for the effectiveness of foreign economic activity is based on the receipt of gross income from its implementation. In terms of its economic content, the gross income from the sale of imported goods is similar to the gross income of trade in other sectors of the economy and the gross (marginal) profit indicator used in Western accounting analysis. In essence, it represents the difference between the purchase and sale prices of imported goods, therefore, the main task of the analysis of gross income should be considered the analysis of the ratio of the purchase and sale prices of imported goods.

An analysis of gross income from an import transaction involves an analysis of the product mix of a contract. However, sometimes the analysis of each item in the product range is very time-consuming due to the large number of items of imported goods. In such cases, it is recommended to enlarge the objects of analysis in order to reduce its complexity and increase the reliability of the results. This means that if the object of supply under the contract is a homogeneous product with one assortment position, then you can analyze the ratio of purchase and sale prices

per unit of goods. If the object of delivery is a homogeneous or heterogeneous product with many assortment items, it is advisable to compare the purchase and sale prices for the unit of goods for each assortment item and for the contract as a whole. It is important that when analyzing the ratio of purchase and sale prices of a unit of goods, the sales price is taken as the average due to the fact that selling the entire batch of goods at one price is an exception. When analyzing the ratio of purchase and sale prices in general for a batch of goods or the entire contract, the need to calculate the average selling price is no longer necessary.

The dynamics of gross income from the sale of imported goods does not allow us to draw an unambiguous conclusion about the effectiveness of import purchases due to the influence of the factor of change in the national currency exchange rate. There is another problem in assessing the effectiveness of the execution of an import contract when comparing purchase and sale prices by calculating the absolute indicator of gross income. This is the absence of any comparison base, other than the gross income from the sale of other items in the product range. However, they all have different contract prices and quantities, and a simple comparison of the gross income does not give an idea of the amount of working capital involved in the formation of gross income from the sale of imported goods.

To increase the sales efficiency of large quantities of imported goods, it is necessary to develop a scale of discounts on the current selling price of imported goods, depending on the size of the sale. In cases where the sale of goods still goes at a slow pace relative to the previously made forecast, it is necessary to make a decision to lower the average selling price.

When planning demand and the level of the sale price of imported goods, one should take into account the degree of its market novelty and the range of acceptable market prices (O'regan D., 2014). The application of the method of accounting rate of return simplifies the comparison of the purchase and sale prices of imported goods and allows us to not only promptly and subsequently analyze the effectiveness of its sales, but also to predict the sale of imported goods by calculating the critical values of financial ratios and the exchange rate of the national currency.

Calculation of financial ratios does not completely solve the problem of comparability of contracts, since it does not take into account the difference in the timing of their execution. Meanwhile, the choice of the object of analysis implies the construction of a methodology that allows you to compare contracts regardless of their natural form, terms of delivery and implementation. In the analysis, it is necessary to use the method of bringing the indicator of the quantity of the consignment to the level of one of them and to ensure a more reliable level of comparability of financial ratios for sales of imported goods of different lots.

The limited free working capital for financing an import transaction determines the need for an importer to borrow money to pay for an import contract. Due to the low capitalization of domestic foreign trade entities, the most common sources of financing import transactions in the domestic market are either the proceeds from the sale of imported goods or a bank loan. Using the proceeds from the sale of imported goods and a commercial loan as a source of financing for an import transaction implies a trusting relationship with a foreign supplier providing a commercial loan to a domestic buyer. In addition, the cost of this loan is based on the price of money in the domestic market of the supplier in the contract price of the imported product.

Currently, obtaining a bank loan is accompanied by a complex registration procedure, including the presentation of a business plan and any material security for the loan. In addition, the restraining factor is the high price of money in general in the domestic market relative to the world level. Therefore, the price of the working capital of the contract is also a significant limitation for the importer.

Along with dividends to shareholders of the importing company, other payments from the profits of the company to shareholders and employees, the loan fee is an integral part of the working capital price of the importing company. To decide on the feasibility of a particular import transaction, as well as to determine its effective effectiveness, it is necessary to compare the profitability of import transactions with the price of the working capital used: equity and borrowed.



In addition to borrowed funds for foreign economic activity, own funds may also be attracted. They also have their own specific price - in the form of dividends to shareholders or payments from profits to participants. The calculation of the price of equity for a separate foreign economic transaction is based on the level of the price of equity of the enterprise and is similar to the calculation of the fee for using a loan to finance a foreign economic transaction.

For the purposes of analyzing foreign economic contracts, it is important to determine not only the level of the price of working capital (in percent), but also to calculate the amount of the fee for using capital per product. This need is explained by the existence of another limitation of the import transaction - the critical selling price.

This is the price at which the gross income from the sale of goods is zero. A similar situation can be called the breakeven point of the import contract. This determination of the breakeven point is valid under the assumption of the irrelevance of the fixed costs of the importing company regarding the financial results of the contract and corresponds to the concept of margin accounting, according to which fixed costs are not involved in the analysis of a single transaction, but are directly related to the financial results of the entire enterprise. According to the concept of margin accounting, it is not possible to absolutely reliably distribute fixed costs between accounting periods and types of products. In addition, for the purposes of operational analysis, it is especially important for the manager to monitor the level of gross income of the enterprise and variable costs, since the level of fixed costs is necessarily reduced with an increase in turnover.

In various situations emerging in the market of imported goods, it may be necessary to decide on a change in the level of the sale prices of goods to stimulate demand or minimize losses from the slow sale of stocks of goods. The basis for making such decisions is always the results of an analysis similar to that considered.

## **CONCLUSIONS AND RECOMMENDATIONS**

As a result of the study, the following conclusions and suggestions were made:

1. Of fundamental importance for the management of foreign economic activity is the classification of its managed objects, which was not given due attention in the economic literature. Uncertainties in the classification of foreign economic activity and the peculiarities of its forms and types give rise to disputes between enterprises, tax and financial authorities.

The forms and types of foreign economic activity are diverse, their specific features determine the composition of accounting objects and its methodology and methodology. A significant influence on the organization of accounting and auditing is provided by the industry affiliation of forms and types of foreign economic activity, which is determined by the characteristics of the subjects: their status, specialization, type of cooperation.

2. The foreign economic activity of an industrial enterprise should be directed to the search for new foreign partners and sales markets, the organization of direct relations, joint ventures, the study of the external market, the involvement of direct producers of export products in foreign economic relations and increase their interest in the production of goods. It seems appropriate to change the structure of imports, including and constantly increasing the share of new technologies, equipment and other products, the use of which will allow the industrial enterprise to develop its own production of products that can compete in the markets of countries and fulfill the import-substituting function. At the same time, taking into account the specifics of the system, it is necessary to develop, first of all, the processing industry.

3. When planning export-import activities, organizations and enterprises of an industrial enterprise are invited to take into account factors such as: the absence of these goods in the domestic market; the quality of imported goods - it should be significantly higher compared to the quality of similar domestic products; deliveries

must be expedited and continuous; the desire to reduce the prices of domestic producers in the domestic market.

4. In our opinion, it is necessary to make wider use of the letter of credit form of payments between suppliers and buyers when performing foreign trade operations of organizations and enterprises of an industrial enterprise. This is primarily due to the interests of the supplier, which guarantees the unconditionalness of payment by the buyer for unshipped goods.

Such an approach to settlements is consistent with international standards for the formation of accounting policies at the time of implementation by the date of shipment. With the stabilization of the economy in our country, wider application of the letter of credit form of payment is forecasted, since it gives guarantees to the supplier to receive payment for the shipped goods in the shortest possible time. To control the correctness of settlements on letters of credit to enterprises of an industrial enterprise, we recommend that you split letters of credit issued both domestically and abroad.

5. One of the results of the study was the refinement of the existing classification of costs of foreign economic activity, which allows to determine the costs associated with the acquisition, production and sale of goods separately for export and import. Taking into account the specifics of the activities of the organizations of the industrial enterprise system, it should be noted that they export not only goods produced at their own enterprises in the food processing industry, but also goods purchased by procurement organizations.

6. When reflecting distribution costs in accounting by organizations of an industrial enterprise, the principle of temporary certainty of facts of economic activity must be observed. This means that distribution costs must be reflected in the accounting period in which they actually occurred, regardless of payment.

Organizations of an industrial enterprise are advised to conduct accounting of distribution costs in analytics in connection with the specific consignments to which they relate. This will allow you to correctly calculate the financial result for each export transaction.

7. In order to strengthen the accounting control functions, we consider it possible to use account 45 "Goods shipped" with subaccounts at the locations of goods to account for goods and finished products shipped for export at the stages of their movement.

Using the account 45 "Goods shipped" will solve the problem of phased accounting of the movement of shipped export goods and products. Therefore, the purpose of the account 45 is significantly expanded and deepened. The allocation in the current accounting of these sub-accounts is determined by the need to determine the terms of lending, as well as to monitor the progress of export goods to the buyer.

Such an organization of accounting makes it possible for industrial enterprises to accurately record the moment of transfer of ownership of goods in combination with the differentiation of goods that are at their disposal in warehouses and goods shipped but not yet sold to foreign customers, and to accurately determine the time of sale of goods.

8. In order to ensure systematic control over the implementation of foreign economic activity at industrial enterprises, we recommend the creation of an on-farm system of currency control. The main goal of creating an on-farm system of currency control is to create an audit mechanism at the enterprise to ensure the legitimacy of foreign trade transactions in order to facilitate more efficient management of foreign economic activity.

9. The on-farm system of currency control is a set of measures voluntarily implemented by enterprises and organizations and aimed at ensuring that foreign economic operations and decision-making in this area are carried out responsibly, with strict observance of the law.

10. An audit of foreign economic operations in organizations of an industrial enterprise is recommended to begin with an assessment of the accounting system and internal control and only then determine the size of the detailed checks for materiality. The higher the risk of failure to detect errors and abuses of the internal control system, the more it is necessary to conduct more audit tests. The essence of the proposed systematic approach will be as follows:

1. Identify, register and evaluate the internal control system by conducting staff surveys, using questionnaires and a rating system.

2. Confirm the initial assessment of the internal control system using compliance tests.

3. Based on the results of previous tests, conduct checks on the materiality of the balance sheet data - the weaker the control system, the greater the volume of checks on materiality.

The proposed approach allows using the assessment of the internal control system, compliance and materiality tests not only to combine all the quantitative indicators of the individual audit stages into the system, but also to reduce the risk to an acceptable level.

11. Of particular importance is the assessment of the effectiveness of the external economic activity of industrial enterprises in modern conditions, when economic independence and independence should inevitably lead to increased responsibility and soundness of management decisions.

## **REFERENCES**

## In English

1. Alexander, D. & Britton, A., (2014). *“Financial Reporting”*. London: Cengage Learning., 365 p.
2. Basu, S. K., (2006). *“Auditing: Principles and Techniques”*. New Delhi: Pearson Education India., 241 p.
3. Bazaz, M. S. & Senteney, D. L., (2011). *“Value Relevance of Unrealized Foreign Currency Translation Gains and Losses”*. *American Journal of Business*, 16(2), pp. 55-62.
4. Beenhakker, H. L., (2011). *“The Global Economy and International Financing*. London: Greenwood Publishing Group”., 125 p.
5. Bhardwaj, K. K., (2012). *Public Accounting and Auditing: Office of the Comptroller and Auditor General of India*. New Delhi: Mittal Publications. 266 p.
6. Campbell, D. & Netzer, A., (2009). *International Joint Ventures*. London: Kluwer Law International B.V., 365 p.
7. Carbough, R., (2008). *International Economics*. London: Cengage Learning., 524 p.
8. Cascarino, R., (2017). *Internal Auditing: An Integrated Approach*. New Delhi: Juta and Company. 415 p.
9. Delaney, P. R. & Whittington, O. R., (2008). *Wiley CPA Exam Review 2009: Financial Accounting and Reporting*. London: John Wiley & Sons., 265 p.
10. Dicksee, L. R. & Montgomery, R. H., (2010). *Auditing*. New York: Рипол Классик., 365 p.
11. Drury, C., (2015). *Management Accounting for Business*. London: Cengage Learning EMEA., 315 p
12. Dunagpoy, O. & Helmi, D., (2010). Foreign currency hedge accounting: multi-currency versus functional currency accounting. *Managerial Auditing Journal*, 15(5), 246 p..

13. Epstein, B. J. & Macy, L. J., (2011). The Differential Influence of U.S. GAAP and IFRS on Corporations' Decisions to Repatriate Earnings of Foreign Subsidiaries. *International Tax Journal*, 37 p.
14. Flower, J. & Ebbers, G., (2012). Foreign Currency Translation. *Global Financial Reporting*, 614 p.
15. Fountain, L., (2016). *Leading the Internal Audit Function*. London: CRC Press., 574 p.
16. Gary, M. & Frederick, C., (2008). *International Accounting*. London: Pearson., 352 p.
17. Heidrich, C. S., (2015). *Foreign Currency Translation according to IAS 21 and IAS 39 in Consolidated Financial Statements considering intragroup Foreign Currency Hedging Strategies*, s.l.: Diplom.de., 125 p.
18. Hove, M. R., (2016). *Consolidated Financial Statements: An International Perspective*. New Delhi: Juta and Company., 639 p.
19. Kumar, A. & Sharma, R., (2011). *Auditing: Theory and Practice*. New Delhi: The Publishers., 852 p.
20. Kumar, R. & Sharma, V., (2015). *AUDITING: PRINCIPLES AND PRACTICE*. New Delhi: PHI Learning ., 521 p.
21. MacKenzie, B., Coetsee, D., Njikazana, T. & Chamboko, R., (2011). *Wiley Interpretation and Application of International Financial Reporting Standards*. London: Wiley., 415 p.
22. Needles, B. E., Powers, M. & Crosson, S. V., (2010). *Financial and Managerial Accounting*. London: Cengage., 474 p.
23. Nobes, C., (2014). *Accounting: A Very Short Introduction*. Oxford: Oxford University Press.
24. O'regan, D., (2014). *International Auditing: Practical Resource Guide*. London: John Wiley & Sons. 458 p.
25. Parboteeah, K. P. & Cullen, J. B., (2017). *International Business: Perspectives from developed and emerging markets*. London: Taylor & Francis., 254 p.

26. Pickett, K. S., (2010). *The Internal Auditing Handbook*. London: John Wiley & Sons., 415 p.
27. Pinto, J. A., (2005). How Comprehensive is Comprehensive Income? The Value Relevance of Foreign Currency Translation Adjustments. *Journal of International Financial Management and Accounting*, 16(2), 122 p..
28. Ramirez, J., (2015). *Accounting for Derivatives: Advanced Hedging under IFRS 9*. London: John Wiley & Sons., 524 p.
29. Saudagaran, S. M., (2009). *International Accounting: A User Perspective*. London: CCH., 314 p.
30. Shin, H. H. & Soenen, L., (2009). Exposure to currency risk by US multinational corporations. *Journal of Multinational Financial Management*, 9(2), 207 p..
31. Tong, T., (2013). *Consolidated Financial Statements, International Edition*. s.l.:CCH Asia Pte., 574 p.
32. Walton, P., (2011). *An Executive Guide to IFRS: Content, Costs and Benefits to Business*. London: Wiley., 414 p.
33. Walton, P., Haller, A. & Raffornuier, B., (2013). *International Accounting*. London: Cengage Learning., 254 p.
34. Weygandt, J. J., Kimmel, P. D. & Kieso, D. E., (2009). *Financial Accounting*. London: John Wiley & Sons., 259 p
35. Wu, J. S. & Zhang, I., (2010). *Accounting Integration and Comparability: Evidence from Relative Performance Evaluation Around IFRS Adoption*, s.l.: Simon School., 415 p.

### **In Russian**

36. Акатьева М.Д. Постулаты, парадигмы и научные теории: бухгалтерский взгляд и современная оценка, *Международный бухгалтерский учет*, 37 (331), 2014 г.
37. Бабаев Ю.А. и др. Бухгалтерский учет, анализ и аудит внешнеэкономической деятельности: Учебник - 2-е изд., перераб. и доп. - М.: Вузовский учебник: ИНФРА-М, 2016. - 348 с



38. Бариленко, В.И. Учет, анализ и аудит внешнеэкономической деятельности [Текст]: учеб. пособие / В.И. Бариленко. - М.: ИНФРА-М, 2009. - 458 с.
39. Гусейнов Я.Б. «Бухгалтерский учет» Учебник Баку: Издательство «Экономический Университет» - 2016, 585с
40. Закон Азербайджанской Республики О бухгалтерском учете (от 29 июня 2004 года №716-III (по состоянию на 5 марта 2010 года))
41. Ионова А.Ф. Учет, налогообложение и анализ внешнеэкономической деятельности организации: учеб. Пособие для студентов вузов, обучающихся по специальностям «Бухгалтерский учет, анализ и аудит», «Финансы и кредит»/ А.Ф. Ионова, Н.А. Тарасова, Н.Д. Амаглобели. - 2- е изд., перераб. и доп. - М.: ЮНИТИ-ДАНА, 2014. - 415 с.
42. Ковалев В.В. «Логика концептуальных основ бухгалтерского учета», Вестник Санкт-Петербургского университета, сер.5, 4(№29) - 2003г, с 75-76
43. Концепция развития «азербайджан - 2020: взгляд в будущее» [http://www.president.az/files/future\\_ru.pdf](http://www.president.az/files/future_ru.pdf)
44. Кругляк З.И. Концептуальные основы налогового учета: принципы, категорийный аппарат, техника и технология, Учет и статистика, 2015г., 3(39)
45. Кутер М.И., Т.А. Семенцова, Р.А. Тхагапсо Цели, задачи и особенности анализа внешнеэкономической деятельности организаций/ ЖУРНАЛ Экономический анализ: теория и практика 1 (82) - 2007
46. Мирошниченко, Т.А. Учет и аудит внешнеэкономической деятельности: учебное пособие / Т.А. Мирошниченко. - п. Персиановский: изд- во ДонГАУ, 2012. - 202 с.
47. Морозова, Е. В. Учет и анализ внешнеэкономической деятельности: учебное пособие для студентов направления бакалавриата 080100.62. «Экономика» и специальности 080109.65 «Бухгалтерский учет, анализ и аудит» всех форм обучения / Е. В. Морозова, И. В. Лотоцкая ; Сыкт. лесн. ин-т. - Сыктывкар : СЛИ, 2012. - 136 с.

48. Насиров Ф. Презентация: Реформирование бухгалтерского учета в Азербайджане на базе МСФО и соответствия с директивами ЕС ([http://www.audit.gov.az/uploads/6\\_AZ\\_accounting\\_RUS.pdf](http://www.audit.gov.az/uploads/6_AZ_accounting_RUS.pdf))
49. Национальные стандарты бухгалтерского учета Азербайджанской республики ([https://base.spinform.ru/show\\_doc.fwx?rgn=18361](https://base.spinform.ru/show_doc.fwx?rgn=18361))
50. Покровская, В. В. Внешнеэкономическая деятельность. учебник. М.: Экономистъ, 2009. 672 с.
51. Поленова С.Н. Концептуальные основы бухгалтерского учета в системе US GAAP, Международный бухгалтерский учет 2(86)-2006
52. Сберегаев, Н. А. Основы внешнеэкономической деятельности предприятия: учеб. М.: Высшее образование, 2007. 350 с.
53. Ускевич Т.Г. Анализ внешнеэкономической деятельности -Конспект лекций /Для студентов специальности «Бухгалтерский учет, анализ и аудит» - Минск - 2013
54. Шешукова, Т. Г. Развитие учета и внутреннего контроля внешнеторговой деятельности предприятия в условиях конвергенции российских стандартов к МСФО: монография / Т. Г. Шешукова, О. А.Рыбалко; Зап.-Урал. ин-т экономики и права. - Пермь, 2014. - 232 с.
55. Штурмина О.С. Международные стандарты учета и финансовой отчетности Учебное пособие. Ульяновск: УлГТУ, 2010, 248с.
56. Яковлева, Е. В. Внешнеэкономическая деятельность предприятия. Омск: Изд-во ОмГТУ, 2009. с. 90-92

## APPENDIX

**Table 2. Tests for checking the status of internal control systems and accounting of export operations according to the organization**

Test	Yes	No	Note
<p>Internal control</p> <p>1. Does the company have in-house standards for documents (certificates, reports) that track the progress of exported goods, their payment and are intended for data exchange within the company?</p> <p>2. Is there a database protection for export contracts?</p> <p>3. Is there limited access for persons working for the company to accounting information on export contracts?</p> <p>5. Is the organization exchanging documents on export contracts in electronic form?</p> <p>6. Is there a control system for the authorization of analogues of electronic signatures?</p> <p>7. Does the organizational structure of the enterprise have services that control the promotion of export products at all stages of implementation?</p> <p>8. Are certain rules and conditions of storage of products observed: during transportation in stock?</p>			<p>Only primary accounting documents. Logging into the database is not password protected. Access to information are accountants and management. The exchange of documents on export contracts in electronic form is carried out mainly between accounting, marketing and sales services. The sales service is responsible for the timeliness and completeness of the supply of export products to the buyer, but does not carry out full systematic control of exports at all stages of implementation. Storage conditions at the warehouse and during transportation correspond to the basic conditions of delivery provided for by export contracts</p>
<p>Accounting system</p> <p>9. Are export contracts concluded with regular counterparties?</p> <p>10. Does the company have one-time export contracts?</p> <p>11. Delivery of export products is carried out: under direct export contracts; under mediation contracts?</p> <p>12. Are export contracts made through one serving bank?</p> <p>13. Is there an analytical accounting of export products in batches by country and counterparty?</p> <p>14. Is the Work Plan of Accounts approved by the Accounting Policy of the organization, in accordance</p>	<p>+ + + + + + +</p>	<p>+ + + + + + +</p>	<p>The organization does not have regular customers and customers. During 2009, the organization entered into one-time export contracts for the supply of products. The main part of export deliveries in 2009 was carried out under direct export agreements. No analytics No analytics No analytics. No analytics. Analytical accounting for accounts of settlements with customers is carried out by type of settlement currency. Provisions apply with restrictions.</p>

<p>with which subaccounts are opened for account 43 “Finished Products”:  "GP for export";  "GP for domestic sales"?</p> <p>15. Is the Work Plan of Accounts approved by the Accounting Policy of the organization, according to which the following sub-accounts are opened for account 45-1 “Goods Shipped Export”:  "Exported goods on the way";  "Exported goods in ports and warehouses";  "Exported goods on the way abroad"?</p> <p>16. Have the Worker Chart of Accounts been approved by the Accounting Policy of the organization, in accordance with which the following sub-accounts are opened for account 44-1 "Expenses for the sale of exports":  "Costs of sale of exports in AZN";  "Costs of sale of exports in foreign currency";</p> <p>17. Is there a provision for analytical accounting of accounts for settlements with customers in the context of types of debt, its timing?</p> <p>18. Does the accounting policy of the organization provide for provisions governing the separate accounting of revenue from the sale of goods for export and other sales?</p> <p>19. Is there a provision in the Accounting Policy that establishes the procedure for maintaining separate cost accounting for activities to which different VAT rates apply?</p> <p>20. Is there an analytical account for account 19 “VAT on acquired values” in the context of the amounts of VAT related to export products?</p> <p>21. The organized accounting system for the costs of production allows you to determine at the production stage that the products will be sold for export?</p>			<p>The provisions apply with restrictions either</p>
---	--	--	--

Source: <https://muhasib.az/Muhasibat/teshkili/mmus.php>

Table 4. The audit program of CJSC "Associated Cartographic Center"

№	The list of audit procedures for audit sections	Period	Executor	Work documents	Note
1.	Audit of cost accounting of exported products (work in progress).				
IDE1.1 Verification of the completeness and correctness of the formation of the cost of exported products.	from 01.12.20 to 03.12.20	Accounting policy, general ledger, magazines, warrants, statements, cards of accounts of accounting for the costs of production. Production, material reports, work orders. Export contracts.	When checking, formal, arithmetic, regulatory, economic, and counting methods are used.		
.	IDE1.2 Audit of the formation of business expenses charged to the cost of exported products.	from 01.12.20 to 03.12.20	Accounting policy. Export trade agreements. Cards account 44 "Selling expenses", primary documents confirming the fact of expenses.	When checking, formal, arithmetic, regulatory, economic, and control comparisons are used.	
IDR 1.3 Verification of the procedure for determining the amounts of VAT paid on TRU used in the	from 01.12.20 to 03.12.20	Accounting policy, system of analytical accounts in the middle. 19 "VAT op acquired values", the journal of operations account. 19, special tax	The audit uses regulatory and analytical methods.		

manufacture of products intended for sale for export (goods sold for export)		calculations, accounting statements, purchase books, invoices received.		
2.	Audit of accounting for settlements with buyers of exported goods			
	IDR 2.1 Audit of the reasonableness and occurrence of receivables.	from 01.12.20 to 01.12.20	Export contracts. Accounting registers according to account 62 "Settlements with buyers and customers, account 90" Sales "	When checking, the analytical method will be used.
IDR 2.2 Analysis of provisions of export contracts.	from 01.12.20 to 02.12.20	When checking, the analytical method will be applied		
IDR 2.3 Audit of the completeness and timeliness of recording revenue from sales and transfer of ownership of the exported goods to the buyer.	from 01.12.20 to 02.12.20	Magazines, warrants, statements, cards, account 90 "Sales", account 62 "Settlements with buyers and customers". Export contracts. GTE, shipping documents, consignment notes.	Arithmetic, regulatory, logical and formal methods are used when checking.	
3.	Audit of accounting of settlements with commission agents (attorneys, agents) under intermediary agreements.			
IDR 3.1. Verification of the correctness of reflection in	from 03.12.20 to 05.12.20	Export contracts, mediation contracts. Reports of intermediaries, statements from the foreign	When checking the methods used: formal, regulatory,	

accounting of shipped export goods under intermediary agreements.		<p>currency account. Accounting registers for accounts 62 "Settlements with buyers and customers", 76 "Settlements with various debtors and creditors", 90 "Revenue"</p>	<p>arithmetic, analytical.</p>	
<p>IDR 3.2 Verification of the completeness and timeliness of reflection in the accounting data of the commission report (report of the attorney, agent).</p>	<p>from 03.12.20 to 05.12.20</p>			
<p>IDR 3.3 Audit of accounting of commercial expenses for the sale of export goods incurred by the intermediary and subject to compensation by the exporter.</p>	<p>from 03.12.20 to 05.12.20</p>			
<p>IDR 3.4 Audit of accounting of calculations on commission fee.</p>	<p>from 03.12.20 to 05.12.20</p>			

4.	Audit of accounting operations in foreign currency accounts.			
IDRs 4.1 Checking the availability of contracts with banks for opening foreign currency accounts	from 03.12.20 to 05.12.20	Agreement with banks for opening foreign currency accounts. Additional agreements.	When checking, the formal method, the regulatory method are used.	
IDR 4.2 Verification of the completeness of bank statements, as well as the correspondence of the sums on the bank statements on the foreign currency account to the amounts indicated in the primary documents attached to them.	from 03.12.20 to 05.12.20	Bank statements for foreign currency accounts, primary documents attached to bank statements.	When checking, the formal method, legal, arithmetic, and counter methods are used	
IDR 4.3 Verification of the correctness of reflection in accounting of transactions for the purchase of	from 02.12.20 to 03.12.20	Accounting registers for account 52 "Foreign currency account", bank statements for foreign currency accounts, exchange rates.	When checking, the formal method, legal, arithmetic, and counter methods are used	



foreign currency.				
IDR 4.4 Verification of the timeliness of the exporter's submission to the bank of an instruction to transfer foreign currency earnings and the correctness of recording foreign currency sales transactions.	from 02.12.20 to 03.12.20	Payment orders, bank statements on foreign currency accounts, accounting registers for account 52, account 91 "Other income and expenses" exchange rates.	When checking, the formal method, legal, arithmetic, and counter methods are used	
IDR 4.5. Validation of the use of foreign currency earnings remaining at the disposal of the organization after a mandatory sale	from 03.12.20 to 04.12.20	Payment orders, bank statements on foreign currency accounts, accounting registers for account 52, exchange rates	When checking, the formal method, legal, arithmetic, and counter methods are used	
IDR 4.6 Verification of revaluation of funds in foreign currency accounts and amounts of debt	from 03.12.20 to 04.12.20	Accounting registers for accounts 52, 91, exchange rates, data on receivables and payables denominated in foreign currency.	When checking, the methods of arithmetic and comparison are used.	

denominated in foreign currency.				
5.	Audit of compliance by exporting organizations with tax legislation.			
IDR 5.1 Verification of the procedure for confirming the fact of export of goods.	from 03.12.20 to 05.12.20	VAT tax returns, set of documents provided for by Article 165 of the Tax Code	The legal, arithmetic and analytical methods of verification are used.	
IDR 5.2 Deduction of the procedure for presenting VAT amounts related to exported products.	from 04.12.20 to 05.12.20	Tax returns include VAT, shopping book, special tax calculations, accounting statements.	When checking the following are used: regulatory, arithmetic and analytical methods.	
IDR 5.3 Verification of the procedure for filling out a VAT tax return.	from 04.12.20 to 05.12.20	VAT tax returns, books of purchases (sales), accounting registers for account 68 “Calculations of taxes and fees”, subaccount “Calculations with the budget for VAT”.	When checking, formal, counter, regulatory methods are used.	
6.	Assessing the applicability of the going concern principle			
IDR 6.1 Evaluation of the effectiveness of export operations	05.12.20			

## LIST OF TABLES

Table 1: Calculation of the average euro exchange rate.....	34
Table 2: Tests for checking the status of internal control systems and accounting of export operations according to the organization.....	76
Table 3: The audit plan of CJSC "Associated Cartographic Center".....	50
Table 4: The audit program of CJSC "Associated Cartographic Center".....	78
Table 5: Accounting for financial results for the company "Shamkir Terevez" in the context of contracts for the 1st quarter of 2017 .....	54
Table 6: Classifier of terms of delivery of goods of participants of foreign trade activities (INCOTERMS).....	56