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CONTENTS

CONTENTS

CONTENTS

CONTENTS

CONTENTS

CONTENTS

METHODOLOGICAL ASPECTS OF ORGANIZING THE AUDIT OF INVENTORIES

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Abstract. This article examines the methodological aspects of organizing an audit of inventories. The study highlights the purpose, tasks, and planning stages of auditing inventory accounting, as well as the sources used to form audit evidence. Based on the case of "Khojayli Galla Cluster" LLC, the article proposes a general audit plan, an audit program, and an auditor's working paper for examining inventory accounting. The proposed methodological documents help strengthen internal control, systematize audit procedures, and assess the reliability of financial reporting data.

Keywords: inventories, audit, internal control, audit plan, audit program, audit evidence, working paper, accounting policy, inventory count, valuation methods.

Аннотация. В статье исследованы методические аспекты организации аудита товарно-материальных запасов. Рассмотрены цель, задачи, этапы планирования аудиторской проверки учёта товарно-материальных запасов, а также источники формирования аудиторских доказательств. На примере ООО «Ходжейли Галла Кластер» предложены общий план аудита, программа аудита и рабочий документ аудитора по проверке учёта товарно-материальных запасов. Предложенные методические документы способствуют усилению внутреннего контроля, систематизации аудиторских процедур и оценке достоверности данных финансовой отчётности.

Ключевые слова: товарно-материальные запасы, аудит, внутренний контроль, план аудита, программа аудита, аудиторские доказательства, рабочий документ, учётная политика, инвентаризация, методы оценки.

INTRODUCTION

Inventories are one of the most important current assets ensuring the continuity of an economic entity's operations. They directly impact the production process, product costs, sales volume, financial results, and the overall financial position of the enterprise. Therefore, it is crucial to properly organize the accounting of inventories and to establish effective internal control over their safekeeping, valuation, movement, and derecognition.

Practice indicates that some business entities have opportunities to further improve inventory record-keeping, particularly in relation to inventory classification, the specification of valuation methods in accounting policies, the organization of inventory counts, the documentation of custodial responsibilities, and the effective use of accounting records. Improving these areas can contribute to enhancing the reliability of financial statement data. From this perspective, the issues of planning an inventory audit, developing an audit program, and systematizing audit evidence through working papers are of scientific and practical significance.

LITERATURE REVIEW

The organization of inventory accounting and auditing has been studied by foreign and domestic economists from various perspectives. These studies have given special attention to the objectives and tasks of inventory audits, the inventory-taking process, the reliability of accounting data, the internal control system, and the formation of audit evidence.

N.M. Alieva considers inventory-taking to be one of the most important accounting methods and a key form of factual control over the safeguarding of an enterprise's assets [2]. In this approach, an inventory audit is interpreted primarily as a means of exercising a control func In this approach, inventory-taking is interpreted primarily as a means of exercising a control function.

A.L. Spesivtseva, however, explains inventory auditing as an independent examination aimed at identifying errors in tangible assets within accounting and financial reports, as well as inconsistencies in taxation methods [6]. In this approach, the main focus of the audit is on identifying errors in accounting and tax-related matters.

Sh.I. Ilhamov associates the purpose of an inventory audit with verifying their preservation, economical and rational use, the proper organization of their accounting, the reliability of reporting indicators, and compliance with current legislation and regulatory documents [3]. This approach demonstrates that an inventory audit is intrinsically linked not only to accounting but also to the efficiency of storage and use.

N.A. Alimkhanova emphasizes the importance of applying analytical procedures and organizing audit procedures in a consistent sequence to assess inventories and obtain reliable audit evidence [1]. This highlights the importance of planning, systematizing audit procedures, and documenting audit results in the audit of inventories.

An analysis of the above scientific approaches shows that existing research on inventory audits has primarily focused on the reliability of accounting data, the inventory-taking process, internal controls, and compliance with regulatory legal acts. However, the practical aspects of planning inventory audits, developing the audit program, and improving the auditor's working papers have not been sufficiently addressed using the examples of business entities.

In our view, the objective of an inventory audit is to assess, based on audit evidence, whether the accounting of inventories at business entities complies with regulatory legal acts, and to verify their physical existence, proper valuation, safeguarding, write-off, and reliable reflection in financial statements. From this perspective, the interconnected development of the overall audit plan, the audit program, and the auditor's working papers is crucial for the effective organization of an inventory audit.

RESEARCH METHODOLOGY

The methodological basis for this study comprised scientific literature on the organization of inventory audits, regulatory legal acts governing audit activities, national accounting standards, and documents related to inventory accounting at "Khojayli Galla Cluster" LLC.

The research process employed methods of analysis and synthesis, induction and deduction, comparative analysis, logical generalization, and documentary review. The analysis and synthesis method was used to define the objectives, tasks, and stages of the inventory audit, while the comparative analysis method was applied to study existing scientific approaches and compare them with practical application. The documentary review method proved crucial in assessing the organization of inventory accounting at the enterprise, its valuation methods, accounting policies, inventory documentation, and matters related to material liability.

ANALYSIS AND RESULTS

The study examined the methodological aspects of organizing inventory accounting and conducting its audit at "Khojayli Galla Cluster" LLC, which operates in the Khojayli district of the Republic of Karakalpakstan. The findings revealed that when auditing inventory records, the audit plan, audit program, and the auditor's working papers must be developed in an interconnected manner.

The main objective of an inventory audit is to evaluate, based on audit evidence, the actual existence of inventory at an enterprise, its correct valuation, its proper receipt and write-off, its storage conditions, the system of material responsibility, and its reliable reflection in financial statements.

To achieve this objective, it is advisable to perform the following tasks during the audit process:

to verify compliance with the enterprise's accounting policy and the requirements of current laws and regulations when maintaining inventory records;

to assess whether the primary documentation for the receipt, storage, movement, and write-off of inventory is correctly prepared;

to determine whether inventory valuation methods are defined in the accounting policy and consistently applied in practice;

to verify the actual existence of inventory and the correspondence between inventory count results and accounting records;

to evaluate whether contracts with persons responsible for inventory custody have been concluded and to assess storage conditions and the functioning of internal control procedures;

to verify the correctness of accounting for inventory identified as unusable, surplus, or a shortage;

to summarize the identified areas for improvement in inventory accounting and develop practical recommendations for their enhancement.

According to current auditing standards, the planning stage plays a crucial role in the effective organization of an audit. Specifically, International Standard on Auditing (ISA) 300, "Planning an Audit of Financial Statements," requires the auditor to develop an overall audit strategy and an audit plan. In practice, further systematization of inventory audit planning, audit program development, and the documentation of audit procedures in working papers may enhance audit effectiveness in some business entities [4].

When conducting an audit of inventory at "Khojayli Galla Cluster" LLC, located in the Khojayli district of the Republic of Karakalpakstan and selected as the object of this research, it is advisable to use the following information sources and documents to gather audit evidence:

Balance Sheet;
General Ledger;
accounting registers for inventory;
the enterprise's order on its accounting policy;
inventory count records;
waybills, invoices, and acceptance acts;
supply contracts;
contracts on material liability;
stock cards and other relevant documents.

To effectively organize the audit of inventories, it is essential to develop a general audit plan and an audit program before the audit begins. During the audit planning process, factors such as the scope of the business, the organizational structure of the enterprise, the type of activity, the nature of the manufactured products, and the state of the internal control system are taken into account [7]. Furthermore, the consistent application of analytical procedures and clearly defined audit stages contributes to the systematic and effective organization of an inventory audit [5].

The general audit plan defines the objective, scope, duration, labor costs, audit risk, materiality level, and the main audit procedures to be performed. The audit program, in turn, is an important working document that outlines specific audit procedures aimed at implementing the general plan, the documents to be examined, information sources, and recommendations for identified areas for improvement.

It is advisable for the audit plan and audit program for the inventories of "Khojayli Galla Cluster" LLC to be formulated based on preliminary accounting data, accounting policies, the state of internal control, inventory documentation, and the results of preliminary analytical procedures. In this process, the auditor should identify areas requiring increased audit attention in relation to inventory movements and direct the relevant audit procedures toward these areas.

From this perspective, a general plan for auditing inventory accounting was developed based on the example of "Khojayli Galla Cluster" LLC. This plan serves as a methodological basis for the systematic organization of the audit, the sequential determination of audit procedures, and the documentation of audit results (Table 1).

Table 1
General Plan for Auditing Inventory Accounting at « Khojayli Galla Cluster» LLC[1]

Audit Firm	**« Audit Services» LLC**	**Audit Team Leader**	**A. Abdullaev**	
Audited Entity	**« Khojayli Galla Cluster» LLC**	**Audit Team Composition**	**S. Akbarov Kh. Botirov**	
Audit Period	**01.01.2026 – 31.12.2026**	**Audit Risk**	**3%**	
Person-hours	**240**	**Materiality Level**	**4%**	
No.	**List of Planned Audit Procedures**	Performer	Documents	Note
1	Studying the state of the internal control system for inventories			
2	Verifying the compliance of inventory accounting with the requirements of regulatory legal acts			
3	Verifying the correct preparation of primary documents for the movement of inventories			
4	Verifying the accuracy of the receipt and acceptance of inventories into the warehouse			

1 Compiled by the author based on regulatory legal acts.

5	Verifying the storage conditions for inventories and the existence of contracts with persons responsible for inventory custody			
6	Verifying the inventory valuation methods and their correct reflection in the accounts			
7	Studying the procedure for conducting an inventory count			
8	Verifying the correct reflection of inventory count results in the accounting records			

Director of « Audit Services» LLC **A. Abdullaev**
Auditors: **S. Akbarov**
Kh. Botirov

The proposed general audit plan defines the organizational basis for the audit of inventory. It reflects the main areas of the audit, the audit procedures, the audit timeline, labor costs, audit risk, and the materiality level. This allows for advance planning of the audit team's activities, the distribution of responsibilities, and the efficient use of time during the audit process.

If new information regarding the enterprise's activities, the state of internal control, or risks in inventory accounting is identified during the audit process, the general audit plan may be amended. In such cases, the auditor must document and justify the reasons for the amendments, their impact on the audit scope, and the procedures to be performed in the working papers.

An audit program is developed based on the general audit plan. The audit program is an important working document that reflects the specific procedures to be performed during the audit, the documents to be examined, the sources of information, and recommendations for any identified areas for improvement.

The inventory audit program should first and foremost verify the compliance of inventory accounting with regulatory legal acts, the proper execution of primary documents, incoming and outgoing transactions, valuation methods, storage conditions, material liability, inventory results, and the state of internal control.

The audit program serves as a practical guide for the audit team. It makes it possible to determine the sequence of work to be performed during the audit, collect audit evidence for each area, and summarize the results. On this basis, an audit program for conducting an audit of inventory accounting was developed using the example of "Khojayli Galla Cluster" LLC (Table 2).

Table 2
Program for Conducting an Audit of Inventory Accounting at « Khojayli Galla Cluster» LLC[2]

Audit Organization	« Audit Services» LLC	Head of the Audit Team	A. Abdullaev	
Audited Enterprise	« Khojayli Galla Cluster» LLC	Composition of the Audit Team	S. Akbarov Kh. Botirov	
Audit Period	01.01.2026 – 31.12.2026	Audit Risk	3%	
Person-Hours	240	Materiality Level	4%	
No.	**List of Planned Audit Procedures**	**Performer**	**Documents**	**Deficiencies and Recommendations**
1	Verify the compliance of inventory accounting with the requirements of regulatory legal acts.			
2	Verify the proper execution of primary documents for the movement of inventory.			
3	Verify the accuracy of the receipt and acceptance of inventory into the warehouse.			
4	Verification of storage conditions for inventories and the existence of contracts with persons responsible for inventory custody			

2 Compiled by the author based on regulatory legal acts.

5	Verification of inventory valuation methods and their correct reflection in the accounts			
6	Examining the procedure for conducting an inventory count			
7	Verification that inventory results are correctly reflected in the accounting records			
8	Formulation of audit conclusions and recommendations on the state of inventory accounting organization			

Director of « Audit Services» LLC **A. Abdullaev**
Auditors: **S. Akbarov**
Kh. Botirov

The proposed audit program allows for the organization of audit procedures in a clear sequence during the verification of inventory records. The program provides an opportunity to document the procedures performed, the documents examined, the audit observations, and the recommendations developed for each area of review. This is crucial for the systematic collection of audit evidence, monitoring the audit process, and substantiating the final conclusions.

The auditor's working papers are of particular importance in an audit of inventories. This is because working papers make it possible to document the procedures performed, evidence collected, audit observations identified, and conclusions drawn by the auditor during the audit process. In particular, working papers are a crucial tool for ensuring audit quality when examining matters related to the organization of inventory accounting, their valuation, storage, physical count, and reflection in the accounting policy.

From this perspective, an auditor's working paper was developed for auditing the accounting department during the inventory audit at "Khojayli Galla Cluster" LLC (Table 3).

Table 3
Auditor's Working Paper for the Verification of Inventory Accounting at « Khojayli Galla Cluster» LLC[3]

Entity being audited			**« Khojayli Galla Cluster» LLC**	
Audit period			**01.01.2026 – 31.12.2026**	
Person-hours			**60**	
Head of the Audit Team			**A. Abdullaev**	
No.	**Procedures performed**	**Response**	**Information source**	**Notes**
Stage 1: Assessment of the state of inventory accounting organization				
1.1	Are inventories classified by group?	No	Accounting policy, warehouse stock cards, accounting registers	
1.2	Have inventory valuation methods been selected?	Yes	Weighted-average cost method per NAS No. 4	
1.3	Were inventories correctly received into the warehouse based on goods receipt notes, bills of lading, and acceptance acts?	Yes	Warehouse records	
1.4	Have agreements been signed with persons responsible for inventory custody for the storage of inventory?	Yes	material liability agreements, job descriptions, warehouse documents	
1.5	Has an inventory count schedule been developed?	No	NAS No. 19	
Stage 2: Assessment of inventory accounting compliance with regulatory legal acts				
2.1	Has a working chart of accounts been developed based on the nature of the LLC's activities?	No	accounting policy and working chart of accounts	

3 Compiled by the author based on regulatory legal documents.

2.2	Do the accounts used in the LLC's accounting system comply with NAS?	Yes	NAS No. 21	
2.3	Is there a need to open separate working accounts for different types of inventory?	Yes	types of inventory, accounting policy, and working chart of accounts	
Stage 3: Assessment of how inventory is reflected in the accounting policy				
3.1	Has an accounting policy been developed at the LLC?	Yes		
3.2	Does the LLC's accounting policy reflect the valuation methods for inventory?	No	accounting policy, NAS No. 4, internal procedures for inventory valuation	
3.3	Are working accounts for different types of inventory established in the LLC's accounting policy?	No	LLC's accounting policy	

Director of « Audit Services» LLC **A. Abdullaev**
Head of the audited enterprise **K. Khaytbaev**

The proposed auditor's working paper consists of three main stages. The first stage involves assessing the state of inventory accounting organization, which includes the classification of inventories into groups, the selection of valuation methods, the formalization of receipt documents, the existence of contracts with persons responsible for inventory custody, and the development of an inventory schedule.

In the second stage, the compliance of inventory accounting with the requirements of regulatory legal acts is verified. In this process, taking into account the specifics of the enterprise's activities, it is determined whether a working chart of accounts has been developed, whether the accounts used comply with national accounting standards, and whether there is a need to open separate working accounts for different types of inventory.

In the third stage, the state of the accounting policy regarding inventories is assessed. Specifically, it examines the extent to which the accounting policy reflects the valuation methods for inventories, the procedure for their accounting by group, and the use of working accounts.

Using this working paper allows the auditor to systematically identify areas for improvement in inventory accounting, document audit evidence, summarize audit findings, and develop well-founded recommendations for enhancing the enterprise's internal control system. Furthermore, the working paper serves to enhance audit quality, substantiate audit conclusions with evidence, and ensure transparency in the audit process.

CONCLUSION AND SUGGESTIONS

Based on a study of the methodological aspects of organizing an audit of inventories, the following conclusions were formulated:

Inventories are one of the most important current assets in the operations of business entities, and their proper accounting, valuation, storage, and write-off directly affect the reliability of financial statements. Therefore, when planning an inventory audit, it is essential to conduct a comprehensive assessment of the accounting policy, internal control system, inventory results, and the condition of primary documents.

A general plan for auditing inventory accounting was developed using the example of "Khojayli Galla Cluster" LLC. This plan serves to systematically organize the audit process by pre-defining its purpose, scope, timeframe, labor input, audit risk, materiality level, and the main procedures to be performed.

An audit program for verifying inventory accounting was proposed. This program allows for the sequential verification of inventory accounting compliance with regulatory and legal acts, the correct preparation of primary documents, receipt and issue transactions, valuation methods, storage conditions, material liability, and inventory results.

An auditor's working paper for auditing inventory accounts has been developed. This working paper covers the stages of organizing inventory accounting, assessing compliance with regulatory legal acts, and verifying its reflection in the accounting policy. It serves as an important practical tool for systematically documenting audit evidence, summarizing the identified audit observations, and developing well-founded recommendations.

The interconnected use of the proposed general audit plan, audit program, and auditor's working paper contributes to enhancing the quality of inventory audits, identifying opportunities to strengthen the internal control system, assessing the reliability of financial statement data, and improving the enterprise's inventory accounting.

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