

## IMPROVING THE ACCOUNTING AND AUDIT OF CURRENT ASSETS

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**Abstract:** *This article explores theoretical foundations, current practices, and proposed improvements in the accounting and audit of current assets. The research analyzes international standards, accounting principles, and audit procedures related to assets such as cash, inventory, and receivables. Special attention is given to riskbased auditing and digital technologies used in asset management.*

**Keywords:** *Current assets, accounting, audit, cash, receivables, inventory, financial reporting, internal control, audit standards, transparency.*

### INTRODUCTION

In modern financial management, current assets represent a key component of an enterprise's operational capacity and liquidity. The effectiveness of their accounting and audit is crucial for maintaining accurate financial reporting, minimizing risks, and ensuring business sustainability. This diploma thesis explores theoretical foundations, analyzes current practices, and proposes improvements in the accounting and audit of current assets. Current assets refer to all assets that are expected to be converted into cash, sold, or consumed within a normal operating cycle—usually within one year. These assets are vital for the day-to-day operations of an enterprise and play a major role in maintaining liquidity. The primary types of current assets include:

Cash and cash equivalents – readily available funds such as currency, bank deposits, and short-term investments.

- Accounts receivable – amounts owed to the business by its customers for goods or services delivered on credit.

- Inventory – goods that are held for sale or production.
- Prepaid expenses – payments made for goods or services to be received in the future.
- Short-term investments – temporary investments intended to be liquidated in the near term. The classification is crucial as it influences the financial ratios such as the current ratio and quick ratio, which are key indicators of a firm's liquidity and short-term financial health. Current assets are the most dynamic part of a company's resources. Efficient management ensures smooth operation, profitability, and cash flow sufficiency. They are used to:
- Finance everyday operations such as purchasing raw materials and paying salaries.
- Meet short-term liabilities and avoid financial distress.
- Invest temporarily in short-term financial instruments.
- A poor current asset structure (e.g., excessive inventory or receivables) can lead to liquidity risks. On the other hand, a well-managed asset cycle improves operational efficiency and overall competitiveness. The accounting of current assets is governed by several key principles under international and national

accounting standards. These principles include: • Historical cost principle – assets are recorded based on their original cost. • Matching principle – expenses are matched with the revenue of the same period.

- Conservatism principle – assets should not be overstated, and all potential losses must be recognized.

- Consistency principle – accounting methods must be applied consistently across periods. Accounting for and auditing current assets must adhere to recognized accounting standards such as: - International Financial Reporting Standards (IFRS): IFRS outlines general recognition, measurement, and disclosure criteria for current assets (e.g., IFRS 9 for receivables, IFRS 2 for inventories).

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- National Accounting Standards (e.g., NAS of Uzbekistan): Local regulations adapt IFRS principles to the local economic and legal context.

- International Standards on Auditing (ISA): Provide guidelines for auditors, including ISA 330 (Audit Procedures), ISA 500 (Audit Evidence), and ISA 530 (Audit Sampling).

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#### Classification of Current Assets

Type of Current Asset	Description	Example	Valuation Method
Cash and Equivalents	Immediate funds available	Cash in hand, Bank balance	Nominal value
Accounts Receivable	Amounts due from customers	Trade receivables, Notes receivable	Net realizable value
Inventory	Goods held for sale or production	Raw materials, Finished goods	FIFO, LIFO, Weighted average
Prepaid Expenses	Advance payments for future services	Prepaid rent, Insurance	Historical cost
Short-term Investments	Easily convertible investments	Treasury bills, Commercial paper	Fair market value

Thus, table helps identify the structure, purpose, and evaluation method of each component of current assets.

The accounting for current assets differs by asset type but follows a common goal: accurate valuation and transparent presentation in financial statements.

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