

Economic expertise of the financial reporting reliability

Mykhailyshyn N.P.

Candidate of Economic Sciences,
Associate Professor of Economics Examination and Audit Business,
Ternopil National Economic University

Budnyk L.A.

Candidate of Economic Sciences,
Associate Professor of Economics Examination and Audit Business,
Ternopil National Economic University

Financial reporting is one of the main research objects of an expert-economist. While conducting an economic expertise of financial reporting, an expert-economist should establish its reliability and identify possible facts of distortion of individual indicators.

By the nature of the occurrence distortions are divided into unintentional and intentional. Unintentional distortion is the result of errors, when intentional distortions are carried out in order to obtain unlawful benefits.

There are two types of intentional distortions in the practice of economic expertise: veiling and falsification. As a result of veiling, reporting loses its specificity, but no requirements of accounting acts are violated. Falsification is related to the substitution of some indicators by others and creating the false idea about the financial state of the enterprise and the results of its activities.

In world practice, the following ways of information distorting are common:

1. Artificial overestimation of the amount of net income from sales of products.
2. Underreporting costs and thus overstating profits.
3. Incorrect assessment of assets or liabilities.
4. Other areas for manipulation.

The methodology of economic expertise of the financial reporting reliability includes following steps:

1. Express-review of financial reports.
2. Comprehensive review of financial reports and turnover data for all accounts.
3. Disaggregation of financial reporting indicators.
4. Defining business transactions which are conducted within economic expertise.
5. Checking the correctness of displaying in the account of all business operations, the validity of their completeness, reliability and accuracy.
6. Checking the correctness of the generalization and grouping of credentials and transferring them to registers of accounting.
7. Verification of the correctness of the formation of financial reporting indicators based on the data of the registers of accounting.

The falsification of financial reporting causes significant losses to all market participants, who, on the basis of their decisions, make managerial decisions and facilitate various economic crimes. Understanding the nature of intentional and unintentional distortions, veiling and falsifications can increase the efficiency of economic expertise of the financial reporting reliability.