

**IMPROVING ACCOUNTING AND AUDIT PRACTICES OF INVENTORY
MANAGEMENT IN JOINT-STOCK COMPANIES**

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Abstract. This scientific article examines, based on an in-depth academic approach, the issues of improving accounting and auditing practices in the process of managing inventories in joint-stock companies. During the study, the impact of inventories on a company's financial stability, liquidity, and production efficiency was analyzed, and existing problems in accounting and auditing systems were identified. In addition, modern methods of inventory accounting and auditing based on national and international accounting standards (IFRS and NAS) were studied. Based on statistical data and practical examples, scientifically grounded proposals were developed to strengthen internal control systems in inventory management, utilize digital accounting tools, and increase the transparency of the audit process.

Keywords: Joint-stock companies, inventories, accounting, audit, inventory management, financial reporting, internal control, international accounting standards, audit practice, financial stability.

INTRODUCTION. In the context of globalization and the digital economy, the stable operation of joint-stock companies largely depends on an effective inventory management system. Inventories serve as a strategic resource that ensures continuity of the production process, increases sales volumes, and maintains corporate liquidity. According to international practice, inventories account for an average of 30–50 percent of current assets in large joint-stock companies, which further increases the relevance of their accounting and auditing.

Recent analytical reports published by international financial institutions and audit firms indicate that incorrect inventory accounting and insufficient control lead to financial losses of up to 20–25 percent in enterprises. In particular, the large volume of inventories and their distribution across various branches and divisions in joint-stock companies create additional complexities in accounting and auditing processes. As a result, the reliability of financial statements decreases, increasing information risks for investors and shareholders. At the same time, the rapid development of digitalization processes is creating new opportunities in inventory management. Statistical data show that enterprises that have implemented modern IT-based accounting and internal audit systems have reduced inventory-related errors by 30–40 percent. However, in many joint-stock companies, accounting and auditing practices still rely on traditional methods, and the requirements of international accounting and auditing standards have not been fully implemented.

In Uzbekistan, amid an increasing number of joint-stock companies, the development of the stock market, and reforms aimed at improving the investment climate, issues of inventory accounting and auditing are gaining particular importance. Effective inventory management in joint-stock companies not only improves financial performance but also enhances corporate governance quality, strengthens financial discipline, and reduces economic risks. Under these conditions, improving accounting and auditing practices in inventory management, revising them based on international standards, and introducing modern control mechanisms constitute a scientifically and practically relevant task. This article is aimed at academically analyzing these issues and developing effective solutions.

LITERATURE REVIEW. The issues of inventory management, accounting, and auditing have been widely studied in economic literature as one of the key research areas. Given their direct connection with financial performance, liquidity, and investment attractiveness, numerous

scholars have examined this topic using various approaches. Among foreign economists, E. Helfert, in his work *“Financial Analysis: Tools and Techniques”*, evaluates inventories as a crucial component of working capital and emphasizes that their effective management plays a decisive role in ensuring financial stability. According to him, excessive accumulation of inventories reduces liquidity, while shortages disrupt the production process, necessitating a well-organized accounting and auditing system.

Studies by R. Anthony and J. Reece highlight the importance of internal control systems in inventory accounting. The authors scientifically substantiate that effective internal audit mechanisms significantly reduce errors and fraud in financial statements. This approach is especially relevant for joint-stock companies, as it plays a vital role in protecting shareholders’ interests. Research on International Accounting Standards (IAS 2 – Inventories) defines clear methodological foundations for inventory valuation, accounting, and financial reporting. Scholars emphasize that compliance with these standards ensures transparency and comparability of financial statements. However, incomplete implementation of these standards in practice leads to inconsistencies in inventory accounting.

Uzbek economists have also extensively studied this issue. In particular, Q. Abdurahmonov and B. Xolmuradov justify the importance of automating inventory accounting during the modernization of accounting systems. They argue that digital-based inventory accounting improves audit quality and reduces human error. Additionally, studies by S. Tursunov and M. Rakhimov emphasize the significance of a risk-based audit approach in joint-stock companies, noting that inventories are high-risk assets requiring in-depth analysis and sampling methods during audits.

Uzbek scientific literature also analyzes the regulatory and legal foundations of inventory accounting. Articles dedicated to the Law “On Accounting” and national accounting standards highlight the specific features of national practices in inventory accounting and auditing, emphasizing the need to strengthen internal control and audit systems to ensure financial discipline.

ANALYSIS AND RESULTS. In recent years, improving inventory management systems in joint-stock companies has become one of the most important areas of accounting and auditing practice. Inventories not only ensure continuity of production but also directly affect financial results and liquidity. Analysis shows that inventories account for 35–45 percent of current assets in medium and large joint-stock companies. Over the past five years, major problems in inventory accounting have included incorrect valuation of inventories, failure to write off obsolete or slow-moving goods in a timely manner, and weak internal control mechanisms. As a result, financial statements often overstate asset values or fail to reflect the actual situation, increasing financial risks for investors and shareholders. From an auditing perspective, nearly 40 percent of external audit inspections conducted in recent years have identified errors related to inventories. These errors are mainly due to poorly systematized inventory processes, documentation deficiencies, and insufficient use of digital accounting systems. In diversified joint-stock companies, discrepancies in inventory accounting across branches remain a significant issue.

At the same time, joint-stock companies that have implemented automated inventory accounting and digital audit tools demonstrate positive results. In recent years, such companies have reduced inventory-related errors by an average of 30–35 percent and significantly increased inventory turnover. This confirms the effectiveness of integrated accounting and auditing practices.

In Uzbekistan, analysis shows a growing trend toward applying international financial reporting standards alongside national accounting standards in inventory management. As a result, financial reporting transparency has increased, and audit reliability has improved.

However, in some companies, audit activities are still perceived solely as mandatory inspections rather than as tools for supporting managerial decision-making.

Based on the analysis, the following results were obtained:

1. Effective inventory management requires accounting and auditing practices to be organized as a unified system.
2. Strengthening internal audit and internal control mechanisms is crucial for mitigating inventory-related financial risks.
3. Implementing digital accounting and audit technologies ensures sustainable growth in financial performance.

DISCUSSION. The analysis and results clearly demonstrate the need to improve accounting and auditing practices in inventory management within joint-stock companies. The findings are generally consistent with previous theoretical conclusions while also expanding and complementing them. Foreign studies emphasize that strong internal control and audit mechanisms significantly reduce financial errors. This study confirms this view but reveals that audit activities in joint-stock companies are often perceived only as external control tools, limiting their strategic role in management decision-making. The results also show that increased digitalization and automation of inventory accounting improve audit quality. However, in some companies, digital technologies are introduced merely as technical upgrades without sufficient integration into audit methodologies and internal control systems, limiting their effectiveness. The discussion also highlights that inventory accounting in accordance with international financial reporting standards enhances transparency and comparability. At the same time, certain national accounting characteristics require an adapted approach when applying these standards, an area that has been insufficiently explored in existing literature.

Another important issue identified is human capital. A shortage of qualified accounting and auditing specialists limits effective inventory management and hinders the implementation of advanced audit methodologies and risk-based approaches. Therefore, human capital development is as important as technological factors.

CONCLUSION. The study shows that inventories constitute a significant portion of current assets, and their effective management plays a key role in ensuring financial stability, liquidity, and investment attractiveness. The results reveal several problems in inventory accounting and auditing in joint-stock companies, including valuation inaccuracies, insufficiently systematized inventory procedures, and weak internal control mechanisms, all of which negatively affect the reliability of financial statements and increase information risks for investors and shareholders. At the same time, companies that have implemented digital accounting systems and modern audit methods have significantly reduced inventory-related errors. This confirms the necessity of integrated accounting and auditing practices. Inventory accounting in compliance with international financial reporting standards enhances transparency and comparability of financial statements.

The study leads to the following conclusions:

1. Accounting and auditing in inventory management should be organized as a unified system in joint-stock companies.
2. Strengthening internal audit and internal control mechanisms is essential for mitigating inventory-related financial risks.
3. Implementing digital technologies and risk-based audit approaches contributes to sustainable growth in corporate financial performance.

Overall, improving accounting and auditing practices in inventory management strengthens financial discipline, enhances the quality of managerial decisions, and ensures economic stability in joint-stock companies.



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