

**IMPROVING OF COMPILATION AND PRESENTATION OF FINANCIAL  
STATEMENTS AND AUDITING BASED ON INTERNATIONAL STANDARDS**

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**Abstract:** This article provides basic concepts about the compilation and presentation financial statements of companies, as well as information on how to conduct financial statements and its principles, and conclusions and proposals on this. In addition to this, improving of auditing financial statements based on international standarts

**Key words:** financial statement, IFRS, auditing, financial elements, financial ecosystem, financial markets

The compilation and presentation of financial statements based on International Financial Reporting Standards (IFRS), along with the continuous improvement of auditing practices, play a vital role in promoting transparency, accountability, and efficiency in global financial markets. Since the inception of IFRS by the International Accounting Standards Committee in 1973 and its development by the International Accounting Standards Board, these standards have aimed to provide a single, high-quality, understandable, and globally accepted framework for financial reporting. This consistent approach is essential in a globalized economy marked by increasing cross-border transactions, mergers, acquisitions, and foreign investments.

IFRS sets out principles for recognizing, measuring, and disclosing various financial elements, ensuring that financial statements are both reliable and comparable across different jurisdictions. This standardization enables investors and other stakeholders to make well-informed decisions based on consistent financial data. The shift from national standards to IFRS in various countries reflects a broader effort to integrate into the global financial system and attract foreign capital. However, this transition is not without challenges, including the complexity of new standards and the need to adapt existing accounting systems.

Accurate disclosure is a key aspect of financial reporting. New standards, such as IFRS 18, which came into effect in 2024, introduced changes to how information is presented and disclosed, aligning financial reporting with current business dynamics. These changes enhance the transparency and usability of financial statements, supporting better oversight and helping reduce irregular financial flows by increasing accountability.

A comprehensive approach to reducing irregular financial transactions includes improving the quality of financial information, strengthening internal controls, ensuring timely reporting, and implementing strong corporate governance practices. Addressing the root causes of these financial issues—such as corruption, power abuse, and weak legal frameworks—also requires institutional reforms, improved policy oversight, and enhanced compliance mechanisms. Nevertheless, challenges persist, including complex accounting rules, limited capacity in some regions, financial statement manipulation, and the difficulty of estimating fair value in certain cases.

Auditing serves as a critical mechanism for validating financial information and reinforcing trust among investors. The use of International Standards on Auditing ensures that audits are conducted with professional rigor, aligning with legal and regulatory requirements. Aligning local auditing practices with international standards has led to noticeable improvements

in audit quality, especially in markets where domestic audit firms are prevalent. Regulations like those introduced under the Sarbanes-Oxley Act further aim to enhance the credibility of public company disclosures.

The evolution of auditing practices continues, with a growing focus on quality management. New standards now require audit firms to develop comprehensive systems that monitor and maintain audit quality. The adoption of IFRS also impacts audit procedures, particularly in areas involving complex transactions or foreign operations.

Audit quality depends on several factors, including auditor independence, technical competence, and professional skepticism. Technological advances, particularly in data analytics, are revolutionizing audit processes. These tools enhance fraud detection, especially in high-risk sectors like banking, and support more effective decision-making during audits. By analyzing large volumes of structured and unstructured data, auditors can identify anomalies, model risks, and develop insights that improve the overall audit outcome.

Digital transformation in businesses, while offering operational efficiencies, also increases the complexity of accounting environments. This complexity can obscure transparency and elevate the risk of fraud, creating new challenges for auditors who must now navigate vast data landscapes and evolving fraud tactics. As a result, audits often require more effort and may face reduced efficiency unless adequately supported by advanced technologies and streamlined methodologies.

One significant advancement in financial reporting is the adoption of the extensible Business Reporting Language (XBRL). This digital reporting format allows financial data to be presented in a standardized, machine-readable way, greatly enhancing the comparability, accessibility, and analysis of financial information. XBRL aligns legal, industry, and firm-specific requirements into a unified taxonomy, enabling the creation of structured financial reports that support transparency in digital environments.

Audit institutions are also increasingly evaluated based on both management efficiency and quality effectiveness. Performance indicators may include input measures such as budget and staffing, as well as output measures like the number of audits performed and audit findings. These outputs, in turn, feed into assessments of audit quality, with consequences that may include remedial actions, sanctions, or policy changes based on audit outcomes.

In summary, the global movement toward harmonized financial reporting through IFRS and the ongoing refinement of auditing practices are foundational to creating a transparent and trustworthy financial ecosystem. These efforts contribute to global economic stability by ensuring that financial information is accurate, comparable, and credible. Moreover, the integration of emerging technologies and robust quality control systems continues to enhance both the effectiveness and efficiency of financial reporting and auditing in today's interconnected and rapidly evolving economic landscape.

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