

AUDIT OF INTANGIBLE ASSETS IN ORGANIZATION

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Abstract. The purpose of this study is to develop methodological provisions aimed at improving the audit methodology of intangible assets in business organizations. We have studied the theoretical aspects of intangible assets as Audit object and given the author's definition of intangible assets. Peculiarities of intangible assets and their composition are analyzed. Critical assessment of regulatory framework used in the audit of intangible assets is given, information sources during the audit are systematized. The current method of planning the audit of intangible assets is analyzed, methodological approaches to audit the internal control system accounting intangible assets are developed. A set of working papers auditor applied in the audit of intangible assets is developed, as well as the classifier of typical errors in their accounting and taxation. Recommendations on the audit of intangible assets standard are developed.

Keywords: intangible assets, intangible assets audit, accounting of intangible assets.

I. INTRODUCTION

Early twenty-first century is characterized by the output of the economy to a new stage of its development. High speed development of information resources has led to the formation of the new economy, global in scope. The main resources of development are becoming people and knowledge that they possess, intangible assets. In commercial

organizations, whose main goal is to make profit, intangible assets are acquiring greater importance in comparison with the real estate and equipment. In the knowledge-intensive industries intangible assets play a special role. According to experts, in a developed economic system property of commercial organization on average 30-60% consists of intangible assets, but there are companies in which trademarks and brands alone may occupy about 80 % of their capital. Accounting for intangible assets in many business organizations have been neglected, sometimes these assets are not carried in full, which reduces the investment attractiveness of the organization. In large commercial organizations leadership is interested in the proper accounting and auditing operations with intangible assets. Audit of intangible assets by performing a control function, allows to form an opinion on the accuracy and completeness of their reflection in the financial statements of commercial organizations. As part of the audit commercial organizations can use a range of audit-related services, and other services in the field of auditing, aimed at making recommendations to improve the quality of intangible assets, to increase the efficiency of their use. These circumstances have identified the relevance of the chosen theme study on the development of recommendations for the development of audit methodology of intangible assets in commercial organizations.

The degree of a problem. The economic essence of intangible assets studied in the works of scholars such as: A.P. Aksenov, B. Leo, R. Shvays and others.

Research methodology audit of intangible assets of commercial organizations is reflected in the works of scholars such as: K.K. Arabyan, N.V. Balakirev, R.P. Bulyha, G.I. Kostyuk, E.M. Merzlikina, T.V. Mirgorodskaya, Y.P. Nicholas, O.V. Novosel, V.K. Radostovets, H.A. Remizov, A.A. Savin, K.N. Sereda, V.V. Scobar, S.S. Satubaldin, S.A. .Tabalina, H.H. Hahonova, M.V. Stiller and others. Use of analytical procedures in the audit of intangible assets considered in D.A. Endovickii, V.G. Kogdenko, M.V. Melnik, M.M. Stazhkova others. However, despite the fairly wide range of authors dealing with these problems, development of audit methodology of intangible assets of commercial organizations are not well understood. In addition, existing research in the field of audit of intangible assets does not include the specifics of commercial organizations. Currently, it is necessary not only to adapt existing audit methodology of intangible assets to the specifics of commercial organizations, but also to develop a qualitatively new methodological approaches. This determined the choice of research topic that is relevant in the current system of commercial organizations.

The purpose and objectives of the study. The purpose of this study is to develop methodological provisions aimed at improving the audit methodology of intangible assets in business organizations.

Presented goal orientation research led to the formulation and solution of the following tasks:

- explore the theoretical aspects of intangible assets as to audit and give the author's definition of intangible assets;
- identify characteristics of intangible assets, analyze their composition;
- to critically assess the regulatory framework used in the audit of intangible

assets, manage sources of information during the audit;

- review the current methodology for planning audit of intangible assets and develop methodological approaches to audit the internal control system accounting intangible assets;

- develop a set of working papers auditor applied in the audit of intangible assets , as well as the classifier of typical errors in their accounting and taxation;

- to make recommendations for the audit of intangible assets within the contract of franchise and develop internal standards "Features audit of intangible assets."

Object and subject of study. The subject of this study is to audit methodology of intangible assets of commercial organizations.

The object of investigation is business transactions involving intangible assets in business organizations.

The object of the practical implementation studies were commercial organizations of different legal forms and industry sector.

Theoretical and methodological basis of the study served as acting principles, rules and methodological provisions for audit arising out of laws and regulations governing the accounting and audit of intangible assets, the requirements of international accounting and auditing standards as well as theoretical development of domestic and foreign scientists in the studied subjects. Information- empirical base of the research formed the basis of laws and regulations of Kazakhstan in auditing, accounting and taxation, periodical materials, monographs domestic and foreign economists, materials of scientific conferences, accounting data, official statistics official statements and data audits.

Methodological apparatus. In this paper we have found use of scientific methods of research, such as analysis and synthesis, inductive and deductive methods, historical, logical and systematic approaches, modeling, observation, systematic approach, dialectical, statistical methods, methods of comparative

analysis, data grouping, logical generalization balance method used in the world of science knowledge of socio- economic phenomena and allow the most complete study of the problem studied. The working hypothesis of the study is based on the need to improve the audit methodology of intangible assets by extending the theoretical concepts of the intangible assets as an object of the audit, the application of methodological approaches to planning the audit, based on risk - oriented approach , standardization and technology development documenting the audit process, which will, on the one hand, improve the quality of the audit and provide associated services, and on the other hand, increase the relevance of information on intangible assets and will help create an information base for rational decision -making. The transition from the concept of an audit of financial statements for audit business requires the development of techniques of management audit operations of intangible assets.

Key provisions of the study.

Scientific novelty of the research results is staged in the theoretical justification and solving complex issues related to the development of audit methodology intangible assets of commercial organizations that are essential to improve audit quality and validity of management decisions.

Results

The main provisions of the studies that characterize scientific novelty and submitted for protection include:

1. Studied the theoretical aspects of intangible assets and given the author's definition of intangible assets are treated as intangible assets intangible part of non-current assets, features and composition of which is regulated by the current legislation, and the cost can be many times greater than the value of their tangible media, giving a competitive advantage of a commercial organization.

Distinctive features of this type of asset are: accountability, identifiably, the ability to

bring economic benefits, lack of physical and financial implementation, difficulty in measurement and evaluation, innovative character, low liquidity.

V.K. Radostovets argues that intangible assets - it is not monetary assets without physical entity for use over an extended period of time (more than one year) in the production or sale of goods (works, services), for administrative purposes, to lease other actors [1, p. 107]. S.S. Satubaldin argues that intangible assets (intangible assets) - a fundamentally new for the domestic economic theory and practice type of property, the development of market relations in Kazakhstan subject to mandatory accounting [2, p . 102]. Other authors also argue that the identifiable non-monetary assets without physical substance but are intended for use over a long period of time [3-10]. There are four approaches to defining the definition of " intangible assets " such as :

- 1) legal,
- 2) accounting,
- 3) economic,
- 4) mixed.

Using a hybrid approach, which takes into account the peculiarities of legal, accounting and economic approaches allows you to create the definition of intangible assets comprehensively characterizing them as Audit object. We believe that these intangible assets of non-current assets, features and composition of which is regulated by the current legislation, and the cost can be many times the cost of their material carriers that provide competitive advantages of a commercial organization. Feature of this definition is that it is based on a mixed approach of integration of legal, accounting and economic approaches to their treatment, which allows to characterize this type of complex assets and identify them as an object the provision of audit and audit-related services.

2. Identified intangible assets such features as: the use of their unlimited reproduction cycles and the ability to build,

estimation of the transfer of intangible factors of production of producer and consumer on the basis of the costs associated with their creation or acquisition, individual character of the process of their creation; selectivity in use; specific procedure for securing legal rights for this type of business capital, the possibility of depreciation and reevaluation of intangible assets.

In an audit of intangible assets it is necessary to consider their characteristics and specifics of which have a significant impact on the verification process, providing associated services, as well as other services in the field of auditing. This requires deep understanding, awareness of their essence, nature, attributes, composition and diversity of forms. Intangible assets have unique characteristics, among which are included: high risk, lack of control over the benefits and lack of organized markets.

3. Structuring of legal acts regulating the audit process transactions with intangible assets was held , manage sources of information during the audit , in the context of: 1) the application (regulations governing the implementation of auditing, and regulations governing the accounting issues and taxation of transactions with intangible assets), 2) the main stages of the audit.

The proposed structuring the regulatory framework allows applications to establish a hierarchy of normative documents and assists the auditor to classify regulations governing accounting and auditing intangible assets. Methodological approaches to the audit of intangible assets is needed to unify based on postulates, the basic categories of audit and clear regulatory sequence of the auditor, including a knowledge of the legal framework governing accounting and auditing operations of intangible assets and auditing services, goal setting and objectives, identifying the necessary sources of information, the choice of methodology audit fixture in the program audit, evaluation and synthesis of violations test

results. An important point is the knowledge of the composition and structure of the base regulatory accounting and auditing operations with intangible assets, especially when considering complex contracts, such as the agreement of commercial concession (franchising). Results of the study of accuracy of audit methodology and accounting amortization shown that the auditor during an audit should be guided by the Regulations on accounting and financial reporting. The auditor should verify the legality and validity of the application of the rules on calculating depreciation calculations, including the following methods of amortization of intangible assets: 1) linear, 2) declining balance, and 3) write down the cost in proportion to the volume of production (work). The auditor needs to ensure that the used method of depreciation corresponds to the method specified in the order on the accounting policies of the organization, and whether the chosen method of depreciation correct transfer value of intangible assets on the account of the account production costs over its useful life. If you change the useful life of the auditor you should consider the reasons for these changes and to determine eligibility provisions on accounting. Regulatory system of intangible operations should be considered as at least in four areas: types, channels, levels and methods.

We can distinguish two stages of regulation: state and non-state. First by government agencies and the second by feedback associations. The main component of state regulation of import operations is its legal framework. Legal regulation of intangible assets, among other areas of financial and economic activities of organizations is the most controversial and volume, since the evaluation of individual experts, the list of applicable regulations huge.

Promising in this regard is the economic policy of going on the road of increasing concentration of export of raw materials and at the same time creating enabling environment for the participants. Implementation of such

campaigns is through further improvement of the legal framework for regulation of intangible assets. The system of non-state regulation of international public organizations have a tremendous impact on both the system of state regulation of intangible assets, and the development of accounting, auditing and analysis. For example, international accounting standards issued by non-governmental association of accountants around the world committee of International Financial Reporting Standards (IFRS) are recommended. Types of regulation should be to distinguish its channels - long-term and operational. First - mainly the creation and operation of regulatory documents. Under operational control there are two areas: the impact on the sector as a whole and its individual subjects. The system of regulatory operations as intangible information base for accounting, auditing and analysis can be classified into six levels.

4. Analyze the current method of planning the audit of intangible assets and developed methodological approaches to audit the internal control system accounting intangible assets. Developed methodological approaches to the assessment of internal control operations with intangible assets, consisting in carrying out testing in the context of traditionally selected five items sold on the basis.

To improve the quality of audits at the preliminary stage the reliability of the system of internal control of operations with the entity's intangible assets, the risk of on-farm activities, indicators of material misstatement of the accounting for intangible assets is assessed, which may be based on modern methods and methodology audits [8-10]. Evaluation of reliability of the internal control system, identifying the business processes associated with an increased risk, matching the level of materiality and risk allow to identify those intangible assets that need to be checked on the merits, determine the rational selection of scanned objects (Table 1).

Table 1 - Methods of test of intangible assets

Your question	Source of information
Study of purchase intangible assets	Charter, articles of incorporation, minutes of the meeting of founders
The study correctly documenting receipts and disposal of intangible assets	Bank statements, petty cash receipts, statements property transfer NOK-1, NOK-2
Correctness of depreciation of intangible assets	Minutes of the Board, primary documents
Correctness of the correspondence of accounts	

Note - developed by the author.

5. Developed a set of working papers of the auditor, with the plan, the audit program intangibles profile tests of the system of internal control, as well as typical classifier errors detected during the audit of intangible assets, including the grouping of all the common mistakes, a list of regulations that have been violated, the possible consequences in part.

The auditor needs, based on the methodology and technology used audit, compile and document the audit program, which determines the nature, timing and extent of planned audit procedures necessary to implement the overall audit plan (Table 2).

Table 2. – Program for audit of import operations

№ п/п	list of procedures	source of information (Or audit evidence)	applicable techniques
1.	2.	3.	4
1.	Availability and accuracy of contracts. Checking the legality of intangible assets: a) checking the compliance of civil law, b) the validation of tax	Contracts	Paperwork

	compliance		
2.	Validation of registration intangible assets	Regulations, laws, regulations, tax returns, licenses	Confirmation paperwork
3	Checking the correctness of internal control.	Contracts, manuals, magazines warrant ledger.	Paperwork
4.	Checking timely reflection of intangible assets in the balance of the organization during the reporting period in which the organization received standing.	Contracts, documents, reports	Paperwork
5.	Reconciliation of the final turns and credit unclosed positions	Journal of order and Ledger	Analytical procedures, checking arithmetic
6.	View list of creditors in the year-end reconciliation and under-confirmation of the balance of the main suppliers	The annual financial statements	Confirmation paperwork
7.	Checking the correctness of the full cost of intangible assets	Contracts	Counting, checking arithmetic
8.	Checking correspondence accounts of the intangible assets	Primary accounting documents	confirmation verification documentation

Note – developed by the author

Existence of the object in the audit organization and a willingness to audit the organization does not mean that the auditor will initiate an audit. It is also needed to conduct testing of intangible assets (Table 3).

Table 3 - Testing of intangible assets

content	answers	
	Yeas	No
Properly maintained documenting accounting intangible assets?	+	
Is correct correspondence accounts for intangible assets?		+
Are the amortization intangible assets?		-
Are there any logs transaction passports, to monitor timeliness of intangible assets	+	

Note - developed by the author.

The questionnaire should be applied on a par with the audit program intangible assets

6. Designed in-house standard "Features audit of intangible assets" including six sections: 1) general provisions; 2) basic concepts and definitions, and 3) a technique of legal audit of a commercial concession 4) audit methodology of accounting registration of economic operations in commercial concession agreement with the right holder 5) audit methodology taxation agreement of commercial concession with right holder; 6) applications. Application of the standard will allow rational decisions to conclude franchise agreements, evaluate its effectiveness on the stage of performance of the contract, timely identification of emerging problems in the implementation of the agreement and identify solutions, to provide high quality audit to reduce audit risk, detailing the professional conduct of auditors.

Standardization is a prerequisite for the effectiveness of the audit in commercial organizations and is implemented through the development of regulations for the implementation of control activities over operations with intangible assets, which allows a unified approach to its implementation, detailing the professional conduct of internal auditors to improve the quality of intangible assets, reduce complexity, provide additional control. In developing internal standards

"Features audit audit" it is advisable to rely on the legal framework in the field of auditing, existing standards, developed by the Institute of Internal Auditors, the national standard of RK. This opens a standard audit procedure, given the specifics of this complex contract and help the auditor to focus on the most important and significant issues, thereby reducing time and labor costs. Standard consists of the following sections: 1) general provisions; 2) basic concepts and definitions used in the standard, and 3) a technique of legal audit of a commercial concession 4) audit methodology for accounting registration of economic operations on commercial concession agreement from the copyright owner, 5) audit methodology taxation agreement of commercial concession with right holder; 6) Application of the standard will allow rational decisions to conclude franchise agreements (franchise). Developed by us in the course of the study theoretical principles and practical recommendations let us improve the quality of audit operations of intangible assets, audit-related services, other services in the field of auditing. Using the results of the research can improve the quality of audit of intangible assets and streamline the process of checking for audit firms.

CONCLUSION

Between the increasing role of intangible assets in the activities of commercial organizations there is an urgent need for quality and timely control over the correctness and effectiveness of their use, resulting in intangible assets become subject to audit, the purpose of which is to confirm the accuracy and completeness of recording and accounting (financial) statements data on their use and operation with them. Thus, intangible assets may be subject to both statutory audit and audit-related object and other services in the field of auditing. Audit objectives are encouraged to consider intangible assets within the prerequisites preparation of accounting (financial) statements, which include seven elements such as: the existence of rights and

obligations, occurrence, completeness, valuation, accurate measurement, presentation and disclosure. Given the nature of this type of asset , which are characterized by the fact that, firstly, there is no tangible form , and secondly, intellectual property are creations of the mind, his intellect , and thirdly, the subject of intellectual property is the information that can be presented in a tangible medium and distributed to an unlimited number of copies, and the property are not those copies and tangible media, and reflected the information they fourthly, intellectual property has priority indication and can be deposited ; fifth, with regard to intellectual property can be allocated ownership rights (property rights) and exclusive copyrights, sixth, intellectual property is subject to certain specific restrictions, such as limiting the duration of copyright and patents, defined by their impact on the audit process and the provision of audit-related services, as well as other services in the field of auditing.

1. Analytical survey was conducted of thirty definitions of "intangible assets", given by different authors, scientists, which allowed to identify four approaches to understanding the nature of intangible assets: 1) legal, according to which intangible assets act as objects of copyright and 2) accounting characterizing intangible assets as part of the assets of organizations, enterprises, presented as non-current assets that are subject to the accounting (financial accounting), and 3) economic , considering the intangible assets as a property complex that could generate income, and 4) a mixed blend of the signs of the first three approaches understanding the nature of intangible assets, thereby underlining the specific features and the uniqueness of this type of asset. Given the definition of " intangible assets" which is as follows: "Intangible assets represent intangible part of non-current assets, features and composition of which is regulated by the current legislation, and the cost can be many times greater than the value of their tangible media, giving a

competitive advantage of a commercial organization." Feature of this definition is that it is based on a mixed approach of integration of legal, accounting and economic approaches to their treatment, which allows to characterize this type of complex assets and identify them as an object for the provision of audit and audit-related services .

2. Analyzed the specific characteristics of intangible assets used for the identification of various scientists, defining of which are such features as: identifiability; accountability of and the ability to bring economic benefits, but also reveals the essence of each sign. Comparative description of intangible assets in accordance with "Accounting for Intangible Assets", "Intangible Assets", and NK RK and IAS 38 "Intangible Assets" was held, which helped identify the similarities and differences in the rules and requirements for recognition as an intangible asset . Recent changes have occurred in the regulations and legislation to promote the greatest convergence of domestic and international standards, in terms of standards and requirements for intangible assets. A review of statistical data on the dynamics of intangible assets was carried out, which showed a tendency to increase operations on their use.

3. Studied and systematized regulatory framework that reveals the concept and the legal regime governing the use of intangible assets, as well as regulating the procedure of taxation and accounting for transactions with them. Identified three feature classification of legal acts: 1) the scope under which emit regulations governing the implementation of audit activities and regulations that regulate the accounting and tax operations of intangible assets, and 2) the main stages of the audit, suggesting selection of legal acts according to three areas: a) the initial stage (planning), and b) the main stage , and c) the final stage, and 3) the levels of regulation, which involves a four-level system of regulation of accounting and auditing intangible assets, the first of which is represented by federal laws and decrees of the

president, the second - accounting standards and audit of intangible assets, the third level includes guidelines and recommendations in matters of accounting (financial) accounting and audit of intangible assets and the fourth contains the internal standards and organizational and administrative documentation.

Sources of information to audit accounting intangible assets in the context of the five areas were grouped, such as: 1) basic documents regulating the procedure of accounting transactions in intangible assets, and 2) the primary documents, and 3) registers analytical and synthetic accounting, 4) forms of accounting reporting; 5) other documents. Use of this group will reduce the complexity of the audit, to reduce the timing check, improve its quality.

4. Planning process occupies an important place in the general plan and the audit program of accounting intangible assets, as the quality of the planning depends on the result of the audit as a whole, as the plan is a strategy for the audit client , and in some areas of accounting. Based on a study on the views of various scholars, the selection of the audit process in the planning stage of an independent audit was justified, in connection with its role in enhancing the performance and efficiency of the audit firm, achieved on the basis of target orientation, integration and coordination of all inspection and audit-related services provided, identify risks and reduce their level, increase flexibility and adaptability to changes in the internal environment as well as in the external environment.

An important moment in the formation of audit methodology of intangible assets is to determine the direction of scan. Due to the fact that intangible assets are specific, we proposed in the basic checks to include the following steps: 1) initial (test plan), at which the evaluation of internal control accounting intangible assets in the context of the five elements takes place (check the control environment, check the risk assessment process

by the entity, verification of the information system, including those related to the preparation of the financial (accounting) reporting, verification of control actions, verification monitoring of controls), 2) the main stage to scan the existence and preservation of intangible assets, validation of assessment and reassessment intangible assets, validation taxation of intangible assets, check movement of intangible assets, validation of valuation of intangible assets, validation transaction tax on intangible assets, lawfulness and validity of methods used amortization , depreciation correctness of calculations, and 3) the final stage, which is checked to disclose transactions with intangible assets in the financial (accounting) statements and to express an opinion on the audit, preparation of working documents package, formulation of the audit report. Such an approach would allow on the one side a comprehensive approach to the verification of operations and demonstrate compliance prerequisites for the formation of accounting (financial) statements for each of the selected world areas.

5. Well-organized system of internal control is the key to the success of a commercial organization, which provides it with minimizing the risks in the process of management and a high level of organization of accounting operations with intangible assets. To assess the quality of internal control system, we have developed tests to assess the effectiveness of internal control operations with intangible assets, as with manual data processing, and in an automated accounting system, which correspond to changes made to the rule (standard) "Understanding of the entity, environment , in which it is carried out, and assessment of the risks of material misstatement of the audited of financial (accounting) statements " to the assessment of the internal control system in the context of the five elements such as: 1) control environment, 2) the risk assessment process by the entity, and 3) information system including those related to the preparation of accounting

(financial) statements, and 4) control activities, and 5) monitoring of controls. These tests allow the audience in the shortest time at the planning stage to draw conclusions about the audit control system of accounting for intangible assets and is the volume, methods of inspection and direction.

6. In conducting the audit, the auditor may use the work of internal auditors, guided by the rules (standards) " Review of the work of internal audit." Based on the preliminary analysis and assessment of intangible asset accounting and internal control in the general audit plan specifies the way how to conduct the audit of intangible assets - continuous or selective. The auditor may decide to use the sample in accordance with the requirements of Regulation (standard) Audit "Audit sampling ". The sample size is determined based on an assessment of audit risk, held at the planning stage.

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