

# ACCOUNTING MODEL OF MONITORING OF COMPANY FOREIGN TRADE ACTIVITIES

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## ABSTRACT

*The proposed model of the organization of audit services provided to foreign economic entities in preparation for the entry into foreign capital markets is distinguished by the direction aimed at identifying typical business facts, investigating the auditor, sources of information on such facts, audit risks. Implementation of the proposed internment standards ensures unification of the process of audit tasks, and accordingly reduces audit risks, risks of foreign economic activity and ensures the quality of the provided audit services. The definition of the differences in the concept of related services from existing approaches to the control and audit of foreign economic activity caused the need to develop ethical and technical standards for internal firms. The ethical and technical standards "Confidence", "Providing consulting services", structured and contain the purpose, the basis for the development, the field of application of the standard, basic audit procedures, validity, allow to codify and organize the knowledge of auditors, which contributes to the improvement of personnel qualifications, the specialization of the audit firm in the field of foreign economic activity and the quality of audit services. The results of approbation of research in the practice of audit firms prove the adaptation of the proposed methodological and organizational provisions for the implementation of related services: developed internal standards, regulations and working documents are used to reduce audit risk and improve the quality of audit services.*

**Keywords:** Foreign Economic Activity, Related Services, Standards, Audit Services, Risks.

**JEL Classifications:** M21, O16

## INTRODUCTION

The development of economic relations between countries and the integration of production lead to an increase in the volume of world trade and capital movements. Access to foreign markets contributes to the sustainable development of economic entities and the country as a whole, because: firstly, partnership with foreign counterparties significantly affects the development of entrepreneurship, increase its technical and technological level through attracting foreign investment, and secondly, healthy competition provides the quality of goods, works, services, and, thirdly, foreign economic activity (hereinafter foreign economic activity) is a source of receipt of foreign exchange earnings, which enables timely fulfill its obligations to contractors.

An FMEA audit should be based on risk assessment, which means directing the auditor's efforts during the audit on those objects where the risks are highest: typical and non-typical errors (violation of the terms of return of foreign exchange earnings, use of the wrong currency, improper customs regime), omission of accounting information, distortion of financial, statistical, tax reporting.

## REVIEW OF PREVIOUS STUDIES

The theoretical and methodological foundations of the audit were considered and improved in many works of scientists, but the development of the economy and its integration into the European space require further research, in particular, research in the field of theory, methodology and practice of auditing of operations in foreign economic activity.

By the definition of Al-Dhamari et al., 2018, the paradigm of internal audit is a preventive measure that allows for continuous assessment of risks and the state of the system of internal control on a systematic and consistent basis. Internal audit, with the help of constant flow of control and analytical audit information, ensures prevention of inconsistencies and violations in the functioning of the object of internal audit, both at present time and in the future, due to the development of appropriate recommendations for elimination of deficiencies, improvement of existing systems and monitoring of their timely implementation (Gramling et al., 2018). That is, the paradigm is considered as a permanent process that prevents entrepreneurial risks and provides an assessment of the internal control system of the entity.

Bananuka et al., 2018 relates the definition of the audit paradigm with the definition of "*Audit institution*" formal and informal audit rules that have a hierarchical structure and include international, national, industry norms and norms of the subject of audit activity.

Beardsley et al., 2018 also uses the definition of "paradigm" as a model, a way to ensure the independence of the audit. The paradigm of independence is a major factor in audit activity, which is primarily demanded by a society that justifies its (public) expectations and which is generally the main reason for the existence of a professional audit in general (Jones et al., 2017). Independence of an audit is a means of countering total state control, in which not only market but also social reforms are made impossible (Raiborn et al., 2017).

## RESEARCH METHODOLOGY

In this work a wide spectrum of general scientific and special methods is used that made it possible to solve the problem of scientific research, namely: methods of analysis and synthesis, induction and deduction (for clarification of the conceptual-categorical apparatus); methods of formalization (for structuring the process of audit of foreign economic activity); methods of system analysis (for the classification and systematization of types of related audit services, including consulting); tabular methods (for visual representation of the statistical material). Based on the methods of system analysis and scientific abstraction, general conclusions are formulated

## RESULTS AND DISCUSSION

International standards for quality assurance, audit, review, other assurance and related services do not provide detailed recommendations regarding the organization and methodology for each individual element of the FEA audit; therefore, each audit firm or auditor, an individual,

an entrepreneur, must independently develop organizational and methodological measures through the system intra-firm standardization taking into account current legislation. That is, the definition of "paradigm" should be considered as a model (scheme) of the audit of foreign economic activity, which has a theoretical and methodological basis. The theoretical basis is a series of international, national normative documents, internal normative documents of subjects of foreign economic activity and audit. Methodical methods of audit of foreign economic activity, developed by each audit firm, based on the specifics of audit tasks.

According to ISA and in the context of an internal standard, the audit firm's staff is all partners and specialists working in an audit firm.

An auditor (partner) is an individual who is ultimately responsible for the services provided to the customer. Assistants (specialists) employees who participate in the audits, but are not auditors: accountant-auditor; accountant. The personnel of the audit firm must constantly update their knowledge due to frequent changes in the legislation and contracts concluded with customers. To this end, it is suggested that at least once a month, carry out training seminars with the staff regarding the requirements of the current legislation in the field of accounting and features of taxation, audit, foreign economic activity, etc. Schedules and topics for seminars to be approved no later than January 15 this year. The subject may be changed in accordance with the requirements of the activity of the audit firm. To monitor the conduct of training seminars, it is recommended to introduce a log of internal consulting and training seminars of the audit firm, the form of which is given in Table 1.

Date of holding	Subject	Participants	Participant's signature
15.04.2019	1. Financial reporting according to international standards, the order of drawing up. 2. Policy reform: VAT, industrial regulation	Full name	Full name

Technological direction of processes for the supervision of audit services organization as part of the warehousing audit of ZED includes the development of technical internal standards. Technical internal standards are step-by-step instructions for the personnel of audit firms to carry out tasks for the agreed procedures. We offer the internal firm standard of the audit firm "Execution of the agreed procedures task verification of operations in the field of foreign economic activity". The purpose of this internal firm standard is to provide the personnel of the audit firm with methodological recommendations for the verification of operations in the field of foreign economic activity. This standard is applied simultaneously with MCSP 4400 "*Tasks for the implementation of agreed procedures for financial information*". The main definitions of the internal standard are presented in Table 2.

<i>Definition</i>	<i>Definition matter</i>
1. Executive services	services that include co-ordinated procedures and the preparation of financial information
2. Agreed	request and analysis, recalculation, comparison and other verification of records accuracy,

procedures	observation, verification, receipt of confirmations
3. Lest-commitment	a document, setting out the main conditions, the purpose and scope of the task, the degree of responsibility of the auditor and the customer, the form of the report to be provided to the customer, a list of procedures agreed upon by the parties and users of the report
4. Plan of implementation of the task of the agreed procedures	a document that defines the character, timing and extent of the planned audit procedures, as well as information on the team briefing for the task, the time of discussion of the issues raised during the verification (in the absence of a verification strategy)

The technical section of the standard defines the actions of the auditor during the verification of operations in the field of foreign economic activity and includes the following stages: the audit by the auditor of the relevant business operation, identification and study of the sources of information (consignment note, cargo customs declaration, contract, payment orders, customs broker's report, tax invoice, accounting statement, statement of the bank), definition of customer-compliant procedures to be performed by the auditor (analysis, recalculation, comparison of primary documents with accounting registers, verification, external and internal confirmation), the study of accounting records and determining the impact of accounting records on financial and tax reporting, explanation of the personnel of the audit firm regarding the evidence obtained and how to obtain it, analysis of detected deviations and risk assessment of the subject of foreign economic activity (calculation of possible penalties) (Drobyazko, 2018; Drobyazko, 2019).

Legislative requirements have a significant impact on the organization of the work of the auditor. ISA 250 "*Review of Legislative and Regulatory Documents in the Audit of Financial Statements*" establishes the auditor's responsibility for reviewing legislative and regulatory acts in the audit of financial statements, but this standard should also be applied in the audit of foreign economic activity, namely, when performing all its components: audit of financial statements sub The purpose of the foreign economic activity, the task of the agreed procedures, the provision of advisory services.

The results of our study are confirmed by the following studies. In the event of revision of the auditor's report, the auditor should inform the management staff of the revealed non-compliance with the law (Hilorme et al., 2018). To this end, the procedure for evaluating the auditor's responsibility for reporting information to those who has the highest administrative authority and a model for reporting to the senior management of the FED subject revealed by the auditor of non-compliance with the law is determined (Hilorme et al., 2019). The timely presentation of information to management staff about the distortions detected during the audit allows you to adjust financial and other reports, provide reliable data for users, and improve the quality of accounting information.

## RECOMMENDATIONS

On the basis of our research, we recommend introducing the internal firm standard "Organizational model of Foreign Economic Activity" in the audit firm. In the internal standard the following types of transactions in the field of foreign economic activity are systematized, standardized bookkeeping and auditor's actions concerning: sales of goods and goods outside the customs territory; receipt of products and goods from a non-resident; purchase and sale of currency by an authorized bank; obtaining a short-term loan in foreign currency; account of import of goods under a commission agreement (VAT is paid by the accountant); accounting for a commission contract for the purchase of goods for export (the account is a non-resident);

accounting for a commission contract for the purchase of services for a non-resident; accounting for barter transactions in the field of Foreign Economic Activity; registration of contributions of a foreign investor in the registered capital of the resident company; accounting for operations for obtaining foreign investment in the form of fixed assets.

The list of firm internal standard operations should be supplemented depending on the needs of customers - entities of foreign economic activity. Internal firm standard summarizes the correspondence of accounting holdings, provided by the Instruction on the application of the plan of accounting of accounts of assets, capital, liabilities and business operations of enterprises and organizations. In the event that the auditor detects non-typical accounting transactions, or significant deviations of amounts, such a fact is recorded in the working document, the impact of distortion on financial, tax, statistical reporting, in the section "Notes (explanation)" of the working paper, is determined by the risk of applying fines from counterparties or controlling bodies and a cross-reference to the corresponding clause of the internal standard of the company, which specifies the procedure for recording the transaction, is provided on the basis of which the general conclusion is drawn that to the identity of the economic transaction in the field of foreign trade in the legislative requirements.

## CONCLUSION

The process of providing consulting services by an audit firm is preceded by the development of a technical standard. IASC 4410 "Tasks for the preparation of information" is used for attracting external specialist-practitioner for the preparation of historical financial information of the customer. But this standard, adapted accordingly, can be used in the execution of tasks for the preparation of non-financial information or other financial information, except for historical, that is, when providing consulting services. Based on this standard and the requirements of IASC 1 "*Quality control for firms performing audits and review of financial statements, as well as other assurance tasks and related services*", it is necessary to develop an internal firm standard "*Providing consulting services*". This internal standard defines the purpose, the basis for the development of the standard, the need for application, the scope of its use, terms of operation, the basic concepts and definitions. The purpose of the standard is to provide the staff of the audit firm with guidance on the provision of consulting services in accordance with IASC 4410 "*Information Preparation Tasks*", to the International Standard for Quality Control 1 "*Quality Control for firms performing audits and reviews of financial statements, as well as other tasks related to providing assurance and related services*". Audit firm is responsible for quality control of services at the level of individual tasks for the preparation of information. When preparing the information of the personnel of the audit firm, it is necessary to follow the fundamental ethical principles.

The proposed document provides the opportunity to standardize the activities of the auditor during the verification of operations in the field of foreign economic activity, to collect sufficient audit evidence, to determine the deviation of the accounting information from the norms and to assess the risks of the subject of foreign economic activity and to draw up an audit report. Standardized audit procedures allow you to control the direct auditors by the person who is assigned control functions for the quality of audit services.

In the framework of the unification of the process of providing related services in the future further research can develop a test for the presence of fraudulent actions of the management personnel of the subject of foreign economic activity, allowing to identify unauthorized transactions, in a timely manner to prevent the senior managerial staff of the

customer, respectively, reduce the business risks of the subject of foreign economic activity. The application of control tests in aggregate provides an integrated approach for the implementation of related services.

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