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IMPROVEMENT OF METHODOLOGY FOR DOCUMENTING AUDIT OF LOW VALUE ITEMS AND LVTA

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Abstract. The work improved the documentation of the audit of LVI and LVTA. A general audit plan, audit program, and auditor's working documents were developed. This will allow to cover issues related to accounting documentation. The proposed methodology will improve the control system and increase the efficiency of enterprise management.

Keywords: *documentation, accounting, audit, LVI, LVTA, general plan, program, working documents, management.*

JEL code: *M42*

In the modern world, the correctness of classifying assets as low-value, rapidly depreciating items (hereinafter referred to as TIN) is becoming an urgent issue. This depends primarily on the service life and cost of assets, the limits should be included in the order on accounting policy. Currently, when assets are received by an enterprise, it is necessary to immediately check their compliance with the criteria and the legality of their classification as low-value, non-current tangible assets (hereinafter referred to as TIN). Many equipment, tools, furniture, mobile phones belong to low-value, non-current tangible assets.

Initially, during the quarantine associated with Covid 19, LVIs began to pay more attention, but often the conditions for their classification are confused with production inventories or low-value non-current tangible assets. There is an urgent need to correctly classify LVTA as inventories or fixed assets and take into account the service life and cost limit. Incorrect classification can lead to incorrect determination of costs when calculating depreciation, which will negatively affect the financial result of the enterprise and may lead to penalties.

The purpose of the work is to improve the accounting and auditing of LVIs and LVTAs in order to increase the efficiency of enterprise management.

LVI audit is to examine the correctness of the receipt and write-off of LVI , as well as the correctness of the initial assessment, reflection in accounting and reporting. The purpose of the LVTA audit is to examine the correctness of the receipt and write-off of LVTA , as well as the correctness of determining their initial assessment, reflection in accounting and reporting.

The objectives of the LVI audit are to ensure the correct recognition of LVI as assets, the attribution of LVI to expenses, the write-off of LVI to capital investments or expenses, and its reflection in the financial and tax accounting of the LVI. The objectives of the LVTA audit are to ensure the correct recognition of LVI as assets, the attribution to capital investments or LVTA, their reflection in accounting and reporting, the accrual of LVTA depreciation and the attribution to the relevant expenses.

Internal control test of LVI and LVTA presented in Table 1.

Table 1. Internal control test of LVI and LVTA

No.	Question content	Answer options			
		Information missing	Yes	No	Notes
1	How to evaluate when purchasing LVI and LVTA: - at original cost; - at fair value; - at residual value;				

No.	Question content	Answer options			
		Information missing	Yes	No	Notes
	- at liquidation value?				
2	If expected lifespan less than 1 year or normal operating cycle, then the asset is included in : - LVI ; - LVTA; - OZ?				
3	In which account is the LVI recorded : - on account 22; - on account 11; - on the count of 10?				
4	If the expected useful life of an asset does not exceed 1 year or operating cycle, even if its cost is UAH 100 thousand , then it will be considered: - LVI; - LVTA; - OZ?				
5	How is an LVI written off the balance sheet when it is put into operation for the construction of fixed assets: - Dt 15 Kt 22; - Dt 23 Kt 22; - Dt 91 Kt 22; - Dt 92 Kt 22; - Dt 93 Kt 22; - Dt 94 Kt 22?				
6	How is an LVI written off from the balance sheet when it is put into operation for administrative expenses: - Dt 15 Kt 22; - Dt 23 Kt 22; - Dt 91 Kt 22; - Dt 92 Kt 22; - Dt 93 Kt 22; - Dt 94 Kt 22?				
7	How is an LVI written off from the balance sheet when it is put into operation for sales expenses: - Dt 15 Kt 22; - Dt 23 Kt 22; - Dt 91 Kt 22; - Dt 92 Kt 22; - Dt 93 Kt 22; - Dt 94 Kt 22?				
8	What operational quantitative accounting should be organized after the transfer of low-value items into operation and the exclusion of their value from the assets: - by place of operation; - for responsible persons?				
9	According to the PKU, low-value and perishable items include: - goods; - fixed assets; - stocks?				
10	Which document establishes the value criterion for the conditions for recognizing LVIs and LVTAs: - order on accounting policy; - financial reporting; - workwear registration cards?				
11	How is depreciation of NMNA during operation in the administration department reflected in the accounting: - Dt 23 Kt 132; - Dt 91 Kt 132; - Dt 92 Kt 132;				

No.	Question content	Answer options			
		Information missing	Yes	No	Notes
	- Dt 93 Kt 132; - Dt 94 Kt 132?				
1 2	How is depreciation of NMNA reflected in the accounting during operation in the sales department: - Dt 23 Kt 132; - Dt 91 Kt 132; - Dt 92 Kt 132; - Dt 93 Kt 132; - Dt 94 Kt 132?				
13	How are receipts from the NMNA supplier reflected in accounting: - Dt 153 Kt 631; - Dt 11 Kt 631; - Dt 22 Kt 631; - Dt 209 Kt 631; - Dt 10 Kt 631?				
14	What are the depreciation methods used for LVTA: - rectilinear; - industrial, - cumulative, method of reducing residues; - 50% and 50%; - 100%?				
15	From which month does depreciation begin to be accrued: - from the moment of purchase; - from the moment of commissioning; - from the moment of release; - since the write-off?				

Source: compiled by the authors

Having received data about the enterprise in the process of preliminary planning, the auditor begins to develop a general plan for the audit of the LVI and LVTA (Table 2). The general plan for the audit of the LVI and LVTA is a document of an organizational and methodological nature. The plan consists of a list of works in several stages and the terms of their implementation, indicating the executors .

Table 2. General plan for conducting an audit of the LVI and LVTA

Stage checks	Verification procedures	Period carrying out	Performers
Preparatory	Getting to know the client's business, planning the LVI and LVTA audit		
Basic	Verification of the correct recognition of LVIs as assets Verification of the correctness of the financial and tax accounting of the LVI Checking the correctness of the allocation of LVI to expenses Checking the correctness of writing off LVIs for capital investments or expenses		
	Verification of the correctness of recognition of LVTA as assets Checking the correctness of the classification as capital investments or LVTA Verification of the correctness of the reflection of LVTA in accounting and reporting Checking the correctness of the depreciation of non-current assets and their allocation to the relevant expenses		
Finishing	Preparation of a report based on the results of the inspection of the LVI and LVTA		

Source: compiled by the authors

Audit program of the LVI and LVTA is given in Table 3. To solve the tasks of the audit of the LVI and LVTA, we offer working documents (Table 4-11), which, in the opinion of the authors, will become substantiated evidence of the quality of the audit.

Table 3. Audit program of LVI and LVTA

No.	Goal	List of control procedures	Quality criteria	Verification method	Working document code	Period of holding	Performer	Notes
1	Ensure the correct recognition of LVIs as assets	Verification of the correct recognition of LVIs as assets	A, B, C, D, E	Documentary, arithmetic, essentially, continuous	LVI-1			
2	Ensure the correctness of the financial and tax accounting of the LVI	Verification of the correctness of the financial and tax accounting of the LVI	A, B, C, D, E	Documentary, arithmetic, essentially, selective	LVI -2			
3	Ensure that LVI is correctly attributed to expenses	Checking the correctness of the allocation of LVI to expenses	A, B, C, D, E	Documentary, essentially, arithmetic, selective	LVI -3			
4	Ensure that LVIs are correctly written off as capital investments or expenses	Checking the correctness of writing off LVIs for capital investments or expenses	A, B, C, D, E, E	Documentary, formal, substantive, arithmetic, selective	LVI -4			
5	Ensure the correct recognition of LVTA as assets	Verification of the correctness of recognition of LVTA as assets	A, B, C, D, E	Documentary, arithmetic, essentially, continuous	LVTA-1			
6	Ensure the correct classification as capital investment or LVTA	Checking the correctness of the classification as capital investments or LVTA	A, B, C, D, E	Documentary, arithmetic, essentially, selective	LVTA -2			
7	Ensure the correctness of the reflection of LVTA in accounting and reporting	Verification of the correctness of the reflection of LVTA in accounting and reporting	A, B, C, D, E	Documentary, essentially, arithmetic, selective	LVTA -3			
8	Ensure that depreciation of fixed assets is correctly calculated and allocated to the relevant expenses	Checking the correctness of the depreciation of non-current assets and their allocation to the relevant expenses	A, B, C, D, E, E	Documentary, formal, substantive, arithmetic, selective	LVTA -4			
Verification quality criteria: existence - A; truthfulness - B; rights and obligations - C; completeness - D; measurement - D; valuation - E; presentation and disclosure - E.								

Source: compiled by the authors

Table 4. Working document LVI-1 - Verification of the correctness of recognition of LVI as assets

Name of the LVI	According to the company	According to the audit									Deviation
		MPS			Production stocks			LVTA			
		regardless of cost	less than 1 year	Dt 22	regardless of cost	less than 1 year	Dt 209	≤ 20000 UAH	over 1 year	Dt 112	

Source: compiled by the authors

Table 5. Working document LVI-2 - Verification of the correctness of the reflection in the financial and tax accounting of LVI

Name of the LVI	According to the company		According to the audit						Deviation
			Reflection in financial accounting (FA)				Reflection in tax accounting (PA)		
	FO	ON	Document	Debit	Credit	Sum	Document	costs	

Source: compiled by the authors

Table 6. Working document LVI-3 - Verification of the correctness of the attribution of LVI to costs

Name of the LVI	According to the company	According to the audit						Deviation
		Dt 23	Dt 91	Dt 92	Dt 93	Dt 94	Together	

Source: compiled by the authors

Table 7. Working document LVI-4 - Verification of the correctness of writing off LVI for capital investments or expenses

Name of the LVI	According to the company	According to the audit						Deviation
		Refers to capital investments			Relates to expenses			
		Improving the health facility	Dt 15	Tue 22	Maintaining the facility in working condition	Dt 23, 91, 92, 93, 94	Tue 22	

Source: compiled by the authors

Table 8. Working document LVTA-1 - Verification of the correctness of recognition of LVTA as assets

Name of the LVTA	According to the company	According to control data									Deviation
		LVI			Fixed assets			**LVTA**			
		regardless of cost	less than 1 year	Dt 22	≥ 20000 UAH	over 1 year	Dt 10	≤ 20000 UAH	over 1 year	Dt 11	

Source: compiled by the authors

Table 9. Working document LVTA-2 - Verification of the correctness of the allocation to capital investments or LVTA

Name of the LVTA	According to the company	Document	According to control data						Deviation
			Requires delivery and installation			Immediately put into operation			
			Dt 15	Kt 63	Sum	Dt 11	Kt 63	Sum	

Source: compiled by the authors

Table 10. Working document LVTA-3 - Verification of the correctness of LVTA reflection in accounting and reporting

Name of the LVTA	Score	According to the company		According to control data						Deviation
				Reflection in financial accounting				Reflection in financial statements		
		Balance, line	Notes, line	Document	Debit	Credit	Sum	Balance, line	Notes, line	

Source: compiled by the authors

Table 11. Working document LVTA-4 - Verification of the correctness of LVTA depreciation calculation and allocation to relevant expenses

Name of the LVTA	According to the company	According to control data									Deviation
		Depreciation method	Depreciation calculation	Place of operation	Spreading across accounts						
					Dt 23	Dt 91	Dt 92	Dt 93	Dt 94	Together	

Source: compiled by the authors

The paper developed a methodology for conducting an audit of LVIs and LVTAs, which, unlike existing ones, includes: an internal control test, a general audit plan, an audit program, and auditor working documents. The proposed audit program will allow the auditor to cover all issues regarding the reflection of LVIs and LVTAs in accounting, the correctness of determining the assessment, its accrual and write-off.

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