

METHODS OF COLLECTING EVIDENCE IN AUDITING AND AUDIT TECHNIQUES.

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Abstract. *This article examines the methods of collecting audit evidence and the audit techniques applied in the process of evaluating the reliability and accuracy of financial information. Particular attention is paid to observation, inquiry and interview, inspection of documents, analytical procedures, recalculation, reperformance, and external confirmation. The study also considers the role of analytical procedures in identifying errors, inconsistencies, potential risks, and unusual changes in financial indicators. The analysis demonstrates that the reliability and sufficiency of audit evidence are essential for forming an objective and well-grounded audit opinion. The article further analyzes the application of financial stability and liquidity indicators using the financial data of “Hududiy elektr tarmoqlari” JSC and “O'zbekgidroenergoqurilish” JSC for 2019–2025. The results indicate differences in the financial stability and liquidity dynamics of the two enterprises and demonstrate the importance of analytical procedures in identifying financial risks. Based on the findings, recommendations are proposed to improve evidence-gathering procedures, strengthen the use of external confirmations and analytical methods, and increase the effectiveness of audit procedures in accordance with international auditing standards.*

1. Introduction

An audit is a critically important process for examining the reports and information of a company or other organization and assessing their accuracy, objectivity, and reliability. During this process, evidence is collected, results are summarized, and analytical procedures are applied.

An audit is an analytical examination process carried out with respect to the financial statements and other important information of an organization or enterprise.

During an audit, the auditor must obtain reliable audit evidence in order to form an audit opinion.

Audit evidence is the information used by the auditor in arriving at the conclusions on which the audit opinion is based. Audit evidence consists of the accounting records underlying the financial statements and other information.*

Audit evidence is examined during the audit primarily to identify doubts or inconsistencies in the information. It is very important that the organization or person providing the information accepts reliable information as accurate and that clear conclusions are drawn in accordance with the results presented by the auditors who examined the information. This can be illustrated in Table 1 below.

*ISA 500 “Audit Evidence”

Table 1**Main Tasks of the Audit Process[†]**

Main Tasks of the Audit Process	
Evidence collection	Summarization of results
Information collection: Auditors prepare and use the information to be analyzed (calculations, financial statements, payment records, contracts, and other information).	Analysis: Auditors analyze the collected information and determine whether it is correct or incorrect.
Verification of evidence: Auditors examine the practical activities of the organization or person that provided the collected information in order to explain them.	Reporting: Auditors compile the results and prepare an assignment or report describing the examination of the calculations.
	Explanation: Auditors provide written explanations and recommendations to clarify the audit results for others.
	Dissemination of information: Important information arising from the audit results is communicated to the organization's management, shareholders, financial reporting bodies, and other relevant parties.

When collecting evidence, the auditor gathers reliable, accurate, and sufficient information about the entity being audited. The auditor uses calculations, financial statements, payment documents, contracts, internal orders, and other relevant information. The following methods are applied in the evidence-gathering process: inspection of documents, inquiries and interviews, external confirmation (through banks, tax authorities, and other sources), observation, recalculation, and reperformance. The main purpose is to obtain the factual information necessary to prepare an auditor's report on the basis of evidence.

By summarizing the collected information, the auditor systematizes identified deficiencies or inconsistencies. The auditor identifies logical relationships among the information and unusual changes. The auditor also analyzes indicators of financial results, profit, expenses, and assets. The main purpose is to assess the sufficiency of the evidence obtained during the audit and to create a basis for the conclusion.

The auditor uses various methods and techniques when collecting evidence. Methods and techniques for collecting evidence are among the most important factors determining the quality of an audit. The auditor should follow the following principles:

- Evidence must be reliable, sufficient, and appropriate;
- The purpose and subject matter of the audit must be taken into account when selecting each method;
- Evidence obtained from external sources is generally more reliable than evidence obtained from internal sources.

The methods of collecting audit evidence are presented in Table 2 below.

[†]Prepared by the author

Table 2**Main Methods of Collecting Evidence During an Audit.[‡]**

No.	Name of evidence-gathering method	Description
1	Observation	The auditor obtains evidence by directly observing the process or procedure being examined.
2	Inquiry and Interview	The auditor obtains information by communicating with the entity's management, employees, or third parties.
3	Inspection of Documents	The auditor examines accounting documents, contracts, payment orders, and other records.
4	Analytical Procedures	The auditor identifies relationships among the entity's financial indicators and analyzes unusual changes.
5	Recalculation	The auditor independently recalculates the computations.
6	Reperformance	The auditor independently re-performs a process previously performed by the entity.
7	External Confirmation	The auditor obtains written confirmation from third parties.

Observation in evidence collection is a method whereby the auditor obtains evidence by directly observing the activities and processes of the entity being audited. In other words, the auditor personally observes a particular procedure carried out by the entity (such as a process, transaction, inventory count, receipt of goods, production, cash counting, and so forth) and records evidence on that basis. The advantage of observation is that the auditor sees the actual situation directly, which increases the reliability of the evidence, makes it possible to assess how the internal control system operates in practice under real conditions, and may reveal deficiencies that cannot be detected through other methods.

Inquiry and interview is the process by which the auditor obtains necessary information through oral or written questions and answers with employees, management, or third parties of the entity being audited. There are four forms of inquiry and interview: written inquiry, oral inquiry, interview, and questionnaire. Inquiry and interview are flexible, prompt, and important evidence-gathering tools for the auditor. They help the auditor understand how the internal control system works in practice, determine management's responsibilities, and establish the basis necessary to form an audit opinion. However, this method should always be used together with other evidence because information obtained through inquiry and interview alone is not sufficient as reliable audit evidence.

Inspection of documents is a method of obtaining evidence by examining accounting documents, contracts, payment orders, accounting records, reports, and other documents relating to the activities of the entity. When inspecting documents, the auditor should apply professional skepticism and assess each document not only in terms of its external form but also in terms of its economic substance.

[‡]Prepared by the author

Analytical procedures are a method whereby the auditor evaluates existence, completeness, consistency, and logical relationships in the entity's activities by analyzing relationships between financial and non-financial information. This method is performed in accordance with International Standard on Auditing (ISA) 520, "Analytical Procedures." It serves not only to identify errors but also to assess the entity's overall financial condition. In accordance with the requirements of ISA 520, the auditor should apply analytical procedures:

- at the planning stage - to identify significant areas;
- during the audit - to strengthen the audit evidence;
- at the final stage - to confirm the overall logical consistency of the financial statements.

Recalculation is a method whereby the auditor independently re-performs mathematical calculations reflected in the entity's accounting records to verify their accuracy. Using this method, the auditor determines the accuracy of numerical indicators presented by the entity in financial statements, accounting registers, documents, or schedules. It is identified in International Standard on Auditing (ISA) 500, "Audit Evidence," as a direct procedure for obtaining audit evidence. Recalculation is one of the most reliable methods for obtaining precise numerical evidence and enables the auditor to confirm or refute the mathematical accuracy of calculations performed by the entity.

Reperformance is a method whereby the auditor independently re-performs controls or accounting procedures carried out by the entity's employees in order to verify their accuracy. In other words, the auditor independently repeats a practical process performed by the entity's employees (for example, a calculation, approval, authorization, or reconciliation) and compares the result with the entity's records. Reperformance is a practical test performed directly by the auditor, through which the auditor can verify the actual operation of the entity's internal control system, accounting procedures, and financial processes.

External confirmation is a method of obtaining audit evidence by sending a written request to third parties (that is, organizations or individuals outside the entity being audited) to confirm or deny specific information. For the auditor, this is reliable evidence obtained independently from a third-party source and is one of the methods with the highest level of reliability for confirming amounts and disclosures in the financial statements.

There are a number of audit techniques used in collecting audit evidence, as shown in Table 3 below.

Table 3**Audit Techniques Used in Collecting and Evaluating Evidence.[§]**

No.	Audit technique	Content	Area of application
1	Inventory count	Physical counting of the quantity of existing tangible assets	Property, plant and equipment; inventories
2	Documentary inspection	Verification of the authenticity of accounting documents	Invoices, contracts
3	Analytical method	Analysis of relationships among financial indicators	In the statement of financial performance
4	Comparison	Comparison of information with a prior period or other sources	Changes in financial indicators
5	Mathematical and statistical analysis	Sampling, regression, and correlation methods	In large-volume databases
6	Expert assessment	Use of a specialist's opinion in areas requiring specialized knowledge	Technical condition, impairment of assets
7	Logical analysis	Verification of the logical consistency of information	Consistency in accounting records

Thus, an appropriate methodology for collecting evidence ensures the objectivity and reliability of the auditor's conclusion.

Evidence collected during audits should be analyzed and assessed for reliability. In our view, implementing recommendations to make greater use of special reports and confirmations obtained directly from external sources helps ensure the reliability of audit evidence and makes it possible to form an objective and fair audit conclusion (Table 4).

Table 4**Use of External Confirmation in Determining the Level of Materiality^{**}**

Use of External Confirmation in Determining the Level of Materiality	
High standards	External confirmations are provided by qualified specialists who adhere to high standards in conducting audits. Such confirmations help auditors study leading practices and broaden their practical knowledge and experience.
Recommendations	Recommendations obtained through external confirmation provide a broader review of the audit process, critical perspectives, and advice. This makes it possible to improve audit quality and obtain more accurate audit results.
Expanding experience	It enables auditors to gain broader experience and opens opportunities to work in new areas. This expands auditors' opportunities to work at both local and international levels.
Professional relevance	It opens opportunities related to auditors' professional work. It is used to update the auditor's knowledge, learn new methods, and apply international practice.
Professional development	It enables auditors to support the development of audit practice and provides broad opportunities for auditors' career advancement.

[§]Prepared by the author

^{**}Prepared by the author

Analytical procedures play a very important role in the process of collecting audit evidence because they enable the auditor to identify logical relationships in the entity's financial information, detect uncertainties or errors, and develop reliable evidence.

During an audit, analytical procedures may also be applied by comparing accounting information with actual data or with amounts calculated by the auditor.

In conducting an audit, analytical procedures are performed in two ways:

1. Performing analytical procedures in relation to each item of audit evidence collected during the audit;
2. Obtaining sufficient and necessary information for the auditor to make a comprehensive assessment of the entity's financial statement indicators, determine its financial condition, and draw an overall conclusion.

On this issue, economist R. D. Dusmuratov stated: "Analytical procedures mean the analysis and evaluation by the auditor of information obtained; the identification of unusual facts of economic activity and facts incorrectly reflected in accounting; and the study of significant financial and economic indicators of the audited entity in order to identify the causes of such errors and inconsistencies."^{††}

Because analytical procedures are of great importance in conducting an audit, audit organizations develop separate internal working standards for analytical procedures on the basis of this standard; audit evidence is collected and analyzed in accordance with those working standards.

Table 5

The Necessity of Analytical Procedures in Collecting Audit Evidence.^{††}

No.	Purpose of the analytical procedure	Necessity and significance	Example
1	Efficient collection of evidence	Enables rapid analysis of large volumes of data and identification of major changes and inconsistencies.	If sales volume increased but profit decreased - determine the reason.
2	Detection of errors and fraud	Makes it possible to identify hidden errors through illogical or unusual financial indicators.	If inventory has not changed but production volume has increased, this is a suspicious situation.
3	Increasing the reliability of evidence	Confirms the logical consistency of financial information by comparing it with other evidence.	Comparing the accuracy of calculations with profit, expense, and balance-sheet indicators.
4	Proper preparation of the audit plan (risk assessment)	Helps identify high-risk areas of the entity's activities and determine the direction of the audit.	If the level of indebtedness has increased, the auditor pays greater attention to that area.
5	Additional evidence when forming the final conclusion	Provides a basis for the final conclusion by evaluating overall trends in the financial statements.	Analyzing the growth rates of revenue and expenses during the reporting period.
6	Compliance with international standards	Under the requirements of ISA 520, analytical procedures must be applied at each stage of the audit.	Performing analytical procedures at the planning, execution, and completion stages.

Properly defining the process and stages for performing analytical procedures is an important and fundamental matter for the auditor because these procedures play a major role

^{††}R. D. Dusturatov. International Standards on Auditing. Study Guide. Tashkent: TDAU, 2018, p. 147.

^{††}Prepared by the author

in assessing the activities of the client being audited. There are different views regarding the classification of these analytical procedures.

In audit planning, analysis is used to determine the nature and timing of the audit program. The work involved in conducting an external audit of joint-stock companies and preparing information on the results includes the following Table 6.

Table 6

Work Involved in Conducting External Audits of Joint-Stock Companies and Preparing Information on the Results^{§§}

Work Involved in Conducting External Audits of Joint-Stock Companies and Preparing Information on the Results	
Offer letter	a letter inviting the entity to undergo an audit
Contract	a contract between the joint-stock company and the audit organization for conducting the audit
Obligations and rights	the auditor's obligations and rights in relation to the joint-stock company
Plan and program	the audit plan and program agreed by the auditor with the joint-stock company.
Consent	a positive letter of consent to conduct the audit obtained from representatives of the joint-stock company and its board of directors.
Copy of the letter reflecting the result of the agreement	a copy of the letter reflecting the outcome of the audit organization's agreement with the joint-stock company regarding the conduct of the audit.
Audit evidence	the report of the audit organization (auditor) and the audit evidence attached to it
Management letter	a letter to the general meeting of shareholders and the supervisory board of shareholders (management letter).
Recommendations	the auditor's proposed correcting entries and recommendations for correcting errors relating to source documents and summary statements used in accounting, journal entries, account balances, the internal control system, and errors in the financial statements.
Conclusion	the audit organization's (auditor's) opinion on the financial statements of the joint-stock company

The following are used as sources of information for analytical procedures that serve as the basis or evidence for this audit:

- under the journal-order form of accounting - journal orders and analytical accounting statements (cards) relating to interrelated accounts.
- when computer technology is used under an automated tabular form of accounting
- machine-generated statements for synthetic and analytical accounts.
- under the simplified form of bookkeeping - the ledger for recording business transactions and accounting cards (journal, ledger) compiled for analytical procedures.

2. Data And Methodology

Information sources for analytical procedures collected by an assistant auditor in conducting the audit are also reviewed by the auditor or chief auditor, who signs to confirm that the review has been performed.

In relation to achieving analytical objectives, English scholars Thomas P. Carlin and Albert P. Macklin divide financial ratios into three groups and further subdivide each group

^{§§}Prepared by the author

into separate components.***

1. Liquidity ratios;
2. Leverage ratios;
3. Profitability ratios.

In analysis, it is not necessary to study all of these ratios in full. Depending on the objective set, it may be sufficient to examine selected types of ratios.

Studying the statement of financial position using financial ratios makes it possible to make a more precise assessment of the enterprise's financial condition.

Under the legislation of the Republic of Uzbekistan, the auditor uses the following forms of financial statements during an audit:

- balance sheet (Form 1);
- statement of financial results (Form 2);
- statement of cash flows (Form 4);
- statement of changes in equity (Form 5);
- notes, calculations, and explanations.

On the basis of this information, the statement of financial position of “O'zbekgidroenergoqurilish” Joint-Stock Company is prepared for analytical procedures and analyzed accordingly. Using the balance sheet, the company's financial stability indicators were analyzed and relevant conclusions and recommendations were presented (Table 7).

Table 7

**Analysis of the Financial Stability Indicators of “O'zbekgidroenergoqurilish”
Joint-Stock Company for 2025^{†††}**

No.	Indicators	Formula for determination (with line code)	Value at the beginning of the year	Value at the end of the year	Difference
1	Financial independence ratio	Equity (480) / Total assets (400)	0.34	0.37	+0.04
2	Financial dependence ratio	Liabilities (490+600) / Total assets (400)	0.65	0.62	-0.03
3	Liabilities-to-equity ratio	Liabilities (490+600) / Equity (480)	1.90	1.69	-0.21
4	Share of current liabilities in total funds	Current liabilities (600) / Total assets (400)	0.63	0.60	-0.03
5	Concentration ratio of invested capital	(Liabilities (490+600) + Equity (480)) / Total assets (400)	1.00	1.00	0.00
6	Equity maneuverability ratio	(Equity (480) - Non-current assets (130)) / Equity (480)	0.05	0.09	+0.04
7	Ratio of inventories and expenses covered by own funds	Inventories and expenses (140+190+200) / Equity (480)	0.41	0.34	-0.07

***P. K. Thomas, M. M. Albert. Analysis of Financial Statements (Based on GAAP). Textbook. Moscow: INFRA-M, 2000, 48 p.

†††Prepared on the basis of the balance-sheet data of “O'zbekgidroenergoqurilish” JSC.

The results of the analysis show that overall positive changes in financial stability indicators were observed at the enterprise during the reporting period. In particular, the increase in the financial independence ratio indicates a rise in the share of equity and a gradual reduction in the enterprise's dependence on external sources of financing. At the same time, the decrease in the financial dependence ratio indicates a reduction in financial risks.

The following table analyzes the financial stability indicators of “O'zbekgidroenergoqurilish” Joint-Stock Company for 2019-2025 (Table 8).

Table 8

**Analysis of the Financial Stability Indicators of “O'zbekgidroenergoqurilish”
Joint-Stock Company for 2019-2025^{***}**

No.	Indicators	2019	2020	2021	2022	2023	2024	2025
1	Financial independence ratio (Equity / Total Assets)	-0.26	-0.12	0.12	0.25	0.28	0.34	0.37
2	Financial dependence ratio (Liabilities / Total Assets)	1.26	1.12	0.87	0.74	0.71	0.65	0.62
3	Liabilities-to-equity ratio (Liabilities / Equity)	-4.71	-9.31	7.21	2.89	2.53	1.90	1.69
4	Share of current liabilities in total funds (Current Liabilities / Total Assets)	0.99	0.80	0.74	0.63	0.64	0.63	0.60
5	Concentration ratio of invested capital ((Equity + Liabilities) / Total Assets)	1.00	1.00	1.00	1.00	1.00	1.00	1.00
6	Equity maneuverability ratio ((Equity - Non-current Assets) / Equity)	2.97	5.54	-1.31	-0.18	-0.13	0.05	0.09
7	Coverage of inventories and expenses by own funds ((Inventories + Expenses) / Equity)	-0.41	-1.14	4.23	1.00	0.75	0.41	0.34

Overall, a positive trend in the enterprise's financial stability formed during 2019-2025. In particular, the increase in the financial independence ratio from -0.26 to 0.37, the decrease in the financial dependence ratio from 1.26 to 0.62, and the reduction in the liabilities-to-equity ratio to 1.69 indicate that the enterprise's financial condition is gradually strengthening. At the same time, it would be advisable for the enterprise to focus in the future

^{***}Prepared on the basis of the balance-sheet data of “O'zbekgidroenergoqurilish” JSC.

on increasing its equity, improving the efficiency of working capital, and further optimizing the structure of liabilities.

We also considered it appropriate to analyze the financial stability of “Hududiy elektr tarmoqlari” Joint-Stock Company for 2025 below (Table 9).

Table 9

**Analysis of the Financial Stability Indicators of “Hududiy elektr tarmoqlari”
Joint-Stock Company for 2025^{sss}**

No.	Indicators	Formula for determination (with line code)	Value at the beginning of the year	Value at the end of the year	Difference
1	Financial independence ratio	Equity (480) / Total assets (400)	0.78	0.77	-0.01
2	Financial dependence ratio	Liabilities (490+600) / Total assets (400)	1.42	1.56	+0.14
3	Liabilities-to-equity ratio	Liabilities (490+600) / Equity (480)	1.81	2.03	+0.22
4	Share of current liabilities in total funds	Current liabilities (600) / Total assets (400)	0.83	0.58	-0.25
5	Concentration ratio of invested capital	(Liabilities (490+600) + Equity (480)) / Total assets (400)	1.00	1.00	0
6	Equity maneuverability ratio	(Equity (480) - Non-current assets (130)) / Equity (480)	0.42	0.39	-0.03
7	Ratio of inventories and expenses covered by own funds	Inventories and expenses (140+190+200) / Equity (480)	0.39	0.36	-0.03

Overall, the analysis indicates that the enterprise's financial condition was relatively stable during the reporting period. However, the increase in the share of liabilities and the decline in the maneuverability of equity may adversely affect long-term financial stability. Therefore, it would be advisable in the future to implement a comprehensive set of financial management measures aimed at increasing the share of equity, optimizing the structure of liabilities, and reducing financial risks.

Table 10

^{sss}Prepared on the basis of the balance-sheet data of “Hududiy elektr tarmoqlari” JSC.

**Analysis of the Financial Stability Indicators of “Hududiy elektr tarmoqlari”
Joint-Stock Company for 2019-2025******

No.	Indicators	2019	2020	2021	2022	2023	2024	2025
1	Financial independence ratio (Equity / Total Assets)	0.70	0.70	0.59	0.53	0.42	0.37	0.37
2	Financial dependence ratio (Liabilities / Total Assets)	0.30	0.30	0.41	0.47	0.58	0.63	0.63
3	Liabilities-to-equity ratio (Liabilities / Equity)	0.43	0.43	0.69	0.89	1.36	1.70	1.71
4	Share of current liabilities in total funds (Current Liabilities / Total Assets)	0.14	0.14	0.08	0.11	0.25	0.29	0.25
5	Concentration ratio of invested capital ((Equity + Liabilities) / Total Assets)	1.00	1.00	1.00	1.00	1.00	1.00	1.00
6	Equity maneuverability ratio ((Equity - Non-current Assets) / Equity)	0.21	0.21	0.10	0.08	-0.02	-0.06	-0.04
7	Coverage of inventories and expenses by own funds ((Inventories + Expenses) / Equity)	0.02	0.02	0.01	0.01	0.17	0.44	0.44

Overall, the numerical analysis indicates that a consistent downward trend in the enterprise's financial stability developed from 2022 onward. In particular, by 2025 the predominance of borrowed funds (63 percent), liabilities exceeding equity by 1.71 times, and the maneuverability ratio remaining negative substantiate the need to reconsider the enterprise's financial policy.

Based on the data presented above for the two joint-stock companies, the following conclusion can be drawn. A comparative analysis of “Hududiy elektr tarmoqlari” JSC and “O'zbekgidroenergoqurilish” JSC was carried out on the basis of a system of financial stability indicators for 2019-2025. The results show significant differences between the two entities in their financial condition, level of provision with own funds, and burden of liabilities.

According to the analysis, “Hududiy elektr tarmoqlari” JSC had a relatively stable financial position in 2019-2020. During this period, the financial independence ratio was 0.70 and the financial dependence ratio was 0.30. However, from 2021 the financial

****Prepared on the basis of the balance-sheet data of “Hududiy elektr tarmoqlari” JSC.

independence ratio declined gradually, reaching 0.37 in 2025, while the financial dependence ratio increased to 0.63.

In addition, the liabilities-to-equity ratio of “Hududiy elektr tarmoqlari” JSC was 0.43 in 2019-2020, but reached 1.36 in 2023, 1.70 in 2024, and 1.71 in 2025. This shows that the company's debt burden increased significantly over the years. The share of current liabilities in total funds also increased from 0.14 in 2019 to 0.29 in 2024 and stood at 0.25 in 2025.

The equity maneuverability ratio was 0.21 in 2019 but declined in subsequent years to -0.02 in 2023, -0.06 in 2024, and -0.04 in 2025. This indicates that the company's ability to finance its operating activities from equity is becoming increasingly constrained. At the same time, the ratio of inventories and expenses covered by own funds rose from 0.17 to 0.44 in 2023-2025.

The results for “O'zbekgidroenergoqurilish” JSC reflect a different dynamic in financial stability. In 2019-2020, the financial independence ratio was -0.26 and -0.12, respectively, indicating an unsatisfactory level of provision with own funds. From 2021, this indicator moved into positive territory and reached 0.37 in 2025. At the same time, the financial dependence ratio fell from 1.26 to 0.62.

The liabilities-to-equity ratio also decreased from 7.21 in 2021 to 1.69 in 2025. Although this indicator remains high, it signifies a gradual reduction in the burden of liabilities. The share of current liabilities in total funds also declined from 0.99 in 2019 to 0.60 in 2025.

At “O'zbekgidroenergoqurilish” JSC, the equity maneuverability ratio was high in 2019-2020 and became negative in 2021-2023. However, it returned to positive territory, reaching 0.05 in 2024 and 0.09 in 2025. This indicates that the company's ability to use its own capital has improved in recent years.

The ratio of inventories and expenses covered by own funds decreased from 4.23 in 2021 to 0.34 in 2025. The comparative analysis shows that both joint-stock companies have certain risk factors affecting financial stability, but their dynamics differ. At “Hududiy elektr tarmoqlari” JSC, the financial independence ratio fell from 0.70 to 0.37 over 2019-2025, while financial dependence increased from 0.30 to 0.63. This indicates greater dependence on external financing sources. At “O'zbekgidroenergoqurilish” JSC, by contrast, after unsatisfactory indicators in the initial years, the financial independence ratio increased from -0.26 to 0.37 and the financial dependence ratio declined from 1.26 to 0.62. Therefore, it can be concluded that a positive trend aimed at restoring financial stability has developed at this company in recent years.

Overall, according to the comparative analysis for 2019-2025, “O'zbekgidroenergoqurilish” JSC demonstrated a relatively more positive trend in recent financial stability dynamics. The company's financial independence increased, while financial dependence and the liabilities-to-equity ratio decreased. At “Hududiy elektr tarmoqlari” JSC, by contrast, the decline in financial independence, the increase in the liabilities-to-equity ratio to 1.71, and the transition of the equity maneuverability ratio to negative values indicate a need to strengthen financial stability. Therefore, it would be advisable for this company to implement measures aimed at increasing the share of equity, optimizing the volume of liabilities, and increasing its own working capital.

Based on the conclusions, we would like to make the following recommendations for both joint-stock companies:

1. Measures aimed at increasing the share of equity. A decline in the level of financial independence is one of the main problems in both companies. Therefore:

- capitalize a certain portion of net profit instead of distributing it as dividends;
- increase charter capital through an additional issue of shares;
- attract long-term private investment with the participation of the state and strategic investors.

These measures, in turn, will help increase the share of equity and bring the financial independence ratio closer to the normative level.

2. Optimization of the liability structure. According to the analysis, the liabilities-to-equity ratio has reached a particularly high level at “Hududiy elektr tarmoqlari” JSC. To address this situation, it is recommended to:

- refinance part of short-term liabilities into long-term liabilities;
- replace high-interest debt with lower-interest financial instruments;
- regularly monitor the debt portfolio and establish maximum limits for the debt burden.

These measures will help reduce financial dependence and lower liquidity risk.

3. Increasing the maneuverability of equity. A negative equity maneuverability ratio indicates low financial flexibility. Therefore, it is necessary to:

- reduce excessive concentration in non-current assets;
- build up own working capital by increasing the volume of current assets;
- introduce a mechanism requiring assessment of the impact of investment projects on working capital when selecting such projects.

These recommendations will ensure freer movement of capital and strengthen operational stability.

4. Strengthening the financial risk management system. In order to reduce risks that threaten financial stability in both companies, it is necessary to:

- introduce an integrated risk-management system aimed at identifying, assessing, and monitoring financial risks;
- establish threshold (critical) indicators for financial ratios;
- develop the internal audit and financial control functions on an independent basis.

5. Improving strategic financial planning. Ensuring financial stability should not be limited to current management alone. From this perspective, it is recommended to:

- develop medium- and long-term financial strategies;
- coordinate investment, financing, and dividend policies;
- define financial stability indicators as strategic KPIs.

Consistent implementation of the above recommendations will strengthen the positive financial recovery processes observed at “O'zbekgidroenergoqurilish” JSC, while at “Hududiy elektr tarmoqlari” JSC it will create an opportunity to reverse the downward trend in financial stability and significantly reduce financial risks.

The stages of applying analytical procedures are as follows:

determining the purpose for which the analytical procedure is applied;

selecting the method of the analytical procedure;
 performing the analytical procedure;
 analyzing the results.^{††††}

The stages above reflect the process of applying analytical procedures. Analytical procedures involve the use of elements and methods of financial analysis such as comparison and evaluation of relationships and ratios. The question is: which of these methods are used most frequently in joint-stock companies?

External auditors may use the comparison method during the audit process. For example, financial statement indicators may be compared with prior-period and business-plan indicators.

Account balances may be compared between the current and prior periods; client information may be compared with information obtained from other sources (banks, statistics, public information), and so forth.

In trend analysis within general analytical procedures, one year is selected as the base year and the ratios for subsequent years are analyzed relative to it. This mainly involves examining the company's growth rates or decline coefficients. After trend analysis, ratio analysis is used to examine the company's profits or losses in comparison with previous years, and plans for subsequent years are then prepared accordingly. In short, the general analytical procedures shown in the figure above are presented in an appropriate and logical sequence.

The type of analytical procedure depends on its purpose, the availability and suitability of the information required to perform it, and the type of activity of the entity.

Table 11

Analysis of the Stages of Analytical Procedures During an External Audit^{††††}

Stages of the audit	Main tasks of the auditor
Preliminary planning of analytical procedures	Identification of significant areas for analytical procedures. Assessment of compliance with the going-concern principle
Preparation and development of the plan and program for analytical procedures	Recommendation of alternative analytical procedures during the audit and assessment of their effectiveness. Preparation of the overall plan for analytical procedures, the analytical procedures program, and classification of the methods to be applied therein.
Implementation of the overall plan and program	Stages of performing analytical procedures and determination of materiality and audit risk within them.

^{††††}A. Z. Avloqulov. Accounting and Auditing of Financial Results: Theory, Methodology and Practice. Monograph. Tashkent, 2019, p. 134.

^{††††}I. N. Qo'ziyev. Preparation and Generalization of Audit Reports: Theoretical and Methodological Issues. Monograph. Tashkent: "Iqtisod-Moliya", 2015, p. 72. Ibragimov A.K., Raimkulova K. Mahsulot tannaxini rejalashtirish va tahlil qilish usullarini samarali qo'llash masalalari. \\\ "O'zbekistonda yashil buxgalteriya hisobi: barqarorlik va moliyaviy hisobotning xalqaro standartlari" mavzusidagi xalqaro ilmiy-amaliy anjumani materiallar to'plami (2025-yil 3-4-aprel) – T.: Science and Innovation, 2025.-996 p. P.251-254.

Stages of the audit	Main tasks of the auditor
Process of performing analytical procedures by the auditor	Assessment of the client's activities on the basis of financial ratios used in the audit. Obtaining sufficient evidence for preparing the auditor's report based on the auditor's performance of analytical procedures.
Process of summarizing the results of analytical procedures and reflecting	Assessment of whether the audit evidence obtained is sufficient for the performance of analytical procedures.

Based on the definitions and recommendations presented above, we decided to determine the liquidity levels of “Hududiy elektr tarmoqlari” JSC and “O'zbekgidroenergoqurilish” JSC using their data. To determine liquidity, we use the comparative relationships $A1 > P1$, $A2 > P2$, $A3 > P3$, $A4 < P4$. Here:

A1 - Cash and cash equivalents

A2 - Short-term receivables

A3 - Inventories

A4 - Non-current assets

P1 - Current payables

P2 - Current liabilities

P3 - Non-current liabilities

P4 - Equity.

The following

Table 12

Determination of the Liquidity Level of “Hududiy elektr tarmoqlari” Joint-Stock Company for 2019-2025^{§§§§}

Year	A1 (Cash and cash equivalents)	P1 (Accounts payable)	A2 (Receivables)	P2 (Current liabilities)	A3 (Inventories)	P3 (Long-term liabilities)	A4 (Non-current assets)	P4 (Equity)	Conclusion
2019	79579159	866721837	142567063	866721837	69948455	941691266	5705617474	4189316406	Illiquid
2020	754802170	963279500	636372642	963279500	4330166	4855703736	12852756319	8429289442	Illiquid
2021	367663443	170397739	958203766	170397739	18234154	5837296887	15129681843	8932524575	Illiquid
2022	210025711	2203655759	1561036741	2420893378	91708384	5936843863	15178500482	8683567375	Illiquid
2023	210025711	2203655759	1561036741	2420893378	91708384	5936843863	15178500482	8683567375	Illiquid
2024	566214982	7383226079	7185409785	7659130344	1688249598	12786677560	17406851035	10067592226	Illiquid
2025	872603649	7717421655	7675874233	8886463028	2021581108	13170009538	20702331277	12887013374	Illiquid

^{§§§§}Prepared on the basis of the balance-sheet data of “Hududiy elektr tarmoqlari” JSC.

The analysis shows that the enterprise's liquidity was low in 2019-2025 and that the necessary balance between the asset and liability structure was not achieved. This adversely affects not only short-term solvency but also long-term financial stability.

Based on this conclusion, we developed the following proposals and recommendations.

Based on the analysis, it was determined that a number of important measures are necessary to improve the liquidity of the enterprise's balance sheet. First, the volume of the most liquid assets should be increased and their capacity to cover short-term liabilities should be expanded by improving the cash-management system. In this regard, cash-flow planning, the introduction of an operating cash-flow budget, and maintaining an appropriate level of free cash balances are particularly important.

Special attention should also be paid to effective management of receivables. The turnover of quick assets can be accelerated through systematic monitoring of receivables by maturity, strengthening payment discipline, and improving collection mechanisms. This will significantly improve the enterprise's ability to meet current liabilities on time.

In addition, it is advisable to improve the efficiency of slowly realizable assets by optimizing inventories and accelerating their turnover. Reducing excess and slow-moving inventories, managing inventories on the basis of norms, and coordinating production and supply processes will have a positive effect on the enterprise's liquidity.

Reviewing the structure of non-current assets and capital is also an important task. Financial stability can be strengthened by increasing the share of equity, capitalizing net profit, and optimizing the volume of long-term liabilities. At the same time, balancing the maturity structure of liabilities and reducing the burden of short-term debt will reduce the enterprise's liquidity risks.

Overall, comprehensive implementation of the above proposals and recommendations will create a solid basis for gradually improving the liquidity of the enterprise's balance sheet, increasing short-term solvency, and ensuring financial stability.

In Table 13 below, using the data of “O'zbekgidroenergoqurilish” Joint-Stock Company, we also determined its liquidity level.

Table 13

Determination of the Liquidity Level of “O'zbekgidroenergoqurilish” Joint-Stock Company for 2019-2025****

Year	A1 (Cash and cash equivalents)	P1 (Accounts payable)	A2 (Receivables)	P2 (Current liabilities)	A3 (Inventories)	P3 (Long-term liabilities)	A4 (Non-current assets)	P4 (Equity)	Conclusion
2019	3289231000	38803427000	54269432000	168470119000	18877715000	46142915000	89809546000	-45511627000	Illiquid
2020	1263606000	45749929000	43228853000	119252221000	2039201600	46500232000	80881359000	-17786591000	Illiquid
2021	1300016000	33654296000	46954983000	196518567000	13557550700	34404599000	74120699000	32022686000	Illiquid
2022	3228488000	19611626000	72499505000	134025212000	54503148000	23168782000	64441573000	54252129000	Illiquid
2023	8522398000	9977523000	78705129000	123832476000	40918657000	13818816000	61411081000	54228885000	Illiquid
2024	2267943000	-	96302165000	121041695000	26987950000	31458990000	61703864000	65111880000	Illiquid
2025	621017000	1742361000	94591785000	107817093000	23039900000	45660920000	59765512000	66376295000	Illiquid

The results of the balance-sheet liquidity analysis for 2019-2025 show that the liquidity level of the enterprise's balance sheet was insufficient in every year of the period under review. In particular, the most liquid assets (A1) and quick assets (A2) were consistently unable to cover short-term liabilities (P1 and P2), respectively. At the same time, the volume of slowly realizable assets (A3) remained lower than long-term liabilities (P3).

In addition, the fact that non-current assets (A4) were not fully covered by equity (P4) indicates a low level of financial independence. These circumstances point to systemic problems in the enterprise's short- and long-term solvency, as well as a high degree of dependence on external financing sources.

As a result, the enterprise's balance sheet is assessed as illiquid throughout 2019-2025. To ensure financial stability in the future, it is necessary to optimize the structure of current assets, reduce short-term liabilities, and increase the share of equity.

Based on this conclusion, we would like to make the following proposals and recommendations:

Based on the results of the balance-sheet liquidity analysis, it is considered advisable to implement the following proposals and recommendations in order to improve the enterprise's financial condition and increase its solvency.

First, it is necessary to increase the volume of the most liquid assets. This requires improving the cash-flow management system, accelerating settlements, and introducing mechanisms for the efficient use of available cash. These measures will expand the enterprise's ability to cover short-term liabilities on time.

Second, the policy for managing receivables should be strengthened. In particular, it is recommended to regularly monitor the maturity and structure of receivables, take strict

****Prepared on the basis of the balance-sheet data of “O'zbekgidroenergoqurilish” JSC.

measures to collect overdue debts, and increase the share of advance payments or short-term contracts. This will help increase the share of quick assets.

Third, optimizing the volume of inventories is important. The efficiency of slowly realizable assets can be improved by preventing excessive inventory accumulation, increasing inventory turnover, and planning inventory levels in line with demand.

Fourth, the structure of short- and long-term liabilities should be reviewed. In particular, refinancing part of short-term liabilities into long-term liabilities is advisable in order to reduce liquidity pressure and balance payment maturities.

Fifth, measures should be taken to increase the share of equity. Reinvesting a portion of the enterprise's profit and increasing own funds through additional contributions or share issues will ensure stable financing of non-current assets.

Implementation of these proposals and recommendations will gradually improve the liquidity of the enterprise's balance sheet, strengthen financial stability, and increase short- and long-term solvency.

If we draw an overall conclusion from the liquidity analysis of the two companies above, “Hududiy elektr tarmoqlari” JSC maintained the conditions $A1 < P1$, $A2 < P2$, and $A3 < P3$ throughout 2019-2025. This indicates that the company was unable to cover its current liabilities with quick assets. As a result, it was assessed as illiquid in every year. Liquidity was low, short-term solvency was weak, and the level of financial risk was high. At “O'zbekgidroenergoqurilish” JSC, $A1$ and $A2$ were also lower than $P1$ and $P2$ in most years, meaning that liquid and current assets did not fully cover liabilities. Nevertheless, the sharp increase in cash and the relatively low level of accounts payable in 2024-2025 are positive developments. However, overall, this company was also assessed as illiquid.

Analytical procedures include the following:

- comparison of the entity's financial statement indicators with its planned indicators;
- comparison of actual financial statement indicators with forecast indicators determined by the audit organization;
- comparison of financial statement indicators with requirements established by applicable legislation and regulatory documents, or with norms established by the entity itself;
- comparison of financial statement indicators with indicators that are not included in the financial statements;
- comparison of financial statement indicators with industry-average data;
- analysis of changes in financial statement indicators over time and the related relative ratios.

In order to determine financial condition, we calculated the profitability indicators of both companies; these can be seen in Appendices 3 and 4.

3. Conclusion

According to the analysis of “Hududiy elektr tarmoqlari” JSC for 2019-2025, the company's activities were characterized by low profitability in the initial years. This can be explained by insufficient sales volume, high production costs, and low efficiency in the use of assets. From 2023 onward, positive growth in profitability indicators was observed as a result of increased sales and cost optimization. In particular, the significant increase in sales

profitability, return on assets, and return on equity in 2025 indicates that the economic efficiency of the company's activities is strengthening.

The profitability analysis of “O'zbekgidroenergoqurilish” JSC for 2019-2025 shows that the company's performance was unstable. The high values of certain profitability indicators in 2019-2021 are explained more by the low asset base than by genuine operating efficiency. Negative profitability of sales and production cost in 2022 indicates a deterioration in financial condition. Although profitability indicators improved in 2023-2025, their overall level remained low. Therefore, the company needs to improve the efficiency of resource use and reduce costs.

The results of general analytical procedures are the set of information obtained after completing an analytical review or analytical discussion of an activity or process in a particular area of practice.

The results of analytical procedures are important for analyzing, studying, and managing a process, as well as for developing and strengthening strategy. These results are significant because they provide critical information for the development of future strategies.

Conclusions from analytical procedures provide important information for governing bodies, strategic systems, and scientific communities and are critically important in the processes of studying, describing, and making decisions about the process. These conclusions help in developing strategic plans and preparing future road maps.

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