

Procedure of Expert Examination of Representation in the Accounting of the Compensatory Nature of Securities Transactions

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Abstract: The forensic expert examination procedure in the area of accounting is unique in every separate case which is determined by statement of a question by a court, availability of documents provided. However, this does deny the opportunity to design the framework research procedure that suggests minimal algorithm of actions within the frameworks of which research may be performed and expert opinion may be formed. The objective of this study is to propose such framework procedure in terms of the paid transfer of securities between legal entities.

Key words: Accounting, forensic accounting expert examination, reliability of data, securities, expert

INTRODUCTION

In their studies many researchers repeatedly approached the issues of designing the expert procedure and assessment of the quality of results of the forensic accounting expert examination (Ponomareva, 2015; Nelezina, 2009). The research of this study agrees with them in many aspects. However, he expressed the opinion of design of such procedure and criteria of assessment of the examination results through the key elements of conduct there by Paschenko (2012) and Paschenko and Sheshukova (2010).

It makes sense to distinguish the subject, object and methods of the research as the key elements of the forensic accounting expert examination.

Firstly, these elements are the main parameters by classifying the economic examination and distinguishing kinds and groups within them. Secondly, they constitute foundation of any research and shall be represented in the expert's report.

That term of the examination subject may be considered from two perspectives: The legal one describing the subject of the forensic accounting expert examination through the fact to be proven and reducing it to clarification of the circumstances of the financial-economic activity corresponding to the criminal-legal logical model of the components of crime and the economic one within the frameworks of which the subject of the forensic accounting examination covers the economic operations represented in the accounting that have become the subject matter of preliminary investigation or judicial examination. Taking into account that all events of the economic life shall be represented in

the accounting of an economic entity and the law violation takes place only upon presence of particular legal relations it would be more correct to understand the subject of the expert examination as legal relations between the economic entities within the frameworks so which the rights of either of entities were significantly impaired which caused initiation of proceedings.

In respect of the examination objects an expert shall determine their relevance in terms of examination and sufficiency for formation of categorical opinion.

The main objects of the forensic accounting expert examination are materials that have become the subject of the direct examination by the expert accountant. They include primary and consolidated accounting documents, entries in the control and analytical ledgers. Upon receipt of materials for performance of examination an expert shall set up the correspondence of the items provided to the list specified in the decree and assess their sufficiency for solution of the tasks set.

An expert shall determine the principle of selecting documents to be examined. This suggest that it is stated in the report which of the materials provided may be used as the research objects, the kinds of the provided research objects are specified, completeness of each kind is established, it is noted according to which principles selection was performed which kinds of objects were selected and how completeness of each kind was established (Paschenko, 2012). At that it is necessary to state sufficiency of the items provided for formation of categorical opinions and the necessity of providing additional items for examination.

Proceeding from the fact that the scope of the case materials submitted to examination and the scope of

materials referred to these examination and necessary for performance there of and studied by the expert may not match, apart from the list of materials provided the expert shall make inventory of the items examined. Lack of such inventory does not allow stating which documents were provided for examination which and for what reasons were excluded from examination after selection and which were left for examination which also constitutes a methodological mistake as it makes it impossible to validate the expert opinion.

The peculiar feature of accounting examination is the set of the specific methods of performing it. It makes sense to consider the principles of the method application by assessment of the examination quality from two perspectives: sufficiency of methods for formation of the expert opinion and accuracy of the method application. Having specified the main elements of the expert examination procedure and their content one may determine the stages of the expert examination being considered the procedure of the forensic accounting expert examination of non-payment of salaries:

- Determining sufficiency of items submitted to the expert for answering the questions set
- Object examination by means of consistent application of the specified methods, performance of additional calculations, making of analytic grids
- Making of document sin which the expert opinion is formulated in the forms of answers to the questions set

Let's present the use of this procedure and specify the key elements of the expert examination by the example of the answer to the question of compensatory nature of the securities transfer between the 'Professional' and 'Amateur' LLC.

THE PRINCIPLE OF EXPERT DETERMINATION OF THE ACCOUNTING DATA VALIDITY

According to the art, the 13 of the Federal law 'concerning accounting' financial accounting shall provide fair view of the financial standing of an economic entity as of the reporting date, the financial results of the activity and cash flow during the reporting period necessary for users of this accounting in order to take economic decisions.

Reliability of reporting means such degree of the accounting data accuracy that allows a competent user drawing on the basis there of correct conclusions as to results of activity of economic entities and make decisions on the basis of such conclusions. Corruption of the

accounting data concerning assets and liabilities of the company is indicative of unreliability of the data provided.

By forming the opinion of the accountability reliability during complete accounting audit at least the following shall be assesses:

- General procedure of making and submission of accounting, its composition and content
- Compliance of information represented in accounting records with the methods of accounting methods records maintenance approved in the company that significantly affect assessment and decision-making by the interested users of accounting records
- Validity of the accepted accounting policy
- Validity of estimated figures
- Reliability, comparability, understandability and appropriateness of information represented in the accounting statements
- Completeness of disclosure and degree of impact of material transactions and events on the accounting statements

However, upon presence of the financial accounting forms and arbitration case materials only it is not possible to perform comprehensive analysis. Only errors may be identified on the basis of examination as to form:

- Analyzing the accounting content
- Establishing the possibility of applying the forms provided
- Determining the indices sufficiency

Analysis of consistency of the reported figures and arbitration case data (data content analysis):

- Comparison of the net profit (loss) value represented in the profit and loss (financial results) statement as of the reporting period with the difference in the undistributed profit (uncovered loss) as of the reporting date of the reporting and previous period in the balance
- Comparison of figures reported for different periods
- Comparison of data in the arbitration court judgments with the data reported in the accounting statements

SECURITIES ACCOUNTING AND PRESENTATION PROCEDURE

According to the Federal Law 'concerning accounting' all economic operations are subject to timely registration on the bookkeeping accounts without any omissions or exclusions.

Operations conducted by an organization shall be supported by covering documents. These documents are primary accounting records on the basis of which accounting is maintained. At that primary accounting documents shall be executed at the moment of the transaction performance or immediately upon completion thereof according to the prescribed form. If the form of the corresponding document has not been prescribed then a covering (primary) document on the basis of which an economic operation is presented shall contain the following details:

- Document date
- Date of making the document
- Name of the organization on behalf of which the document is made
- Content of economic operation
- Measures of economic operation in physical and monetary terms
- Names of positions of persons in charge of performing the economic operation and accuracy of execution
- Personal signatures of the specified persons

For monitoring and sequencing processing data of economic operations on the basis of primary accounting documents consolidated accounting documents-ledgers are drawn. Economic operations shall be presented in ledgers in chronological order and grouped by corresponding accounts.

Transfer of bills from one person to another one constitutes a transaction. According to the civil code of the Russian Federation the deals of legal entities between each other shall be executed in the simple written form (except for transactions requiring notarization). As a rule, two-way deals are made by means of making an agreement.

Accounting statements present not the fact of the agreement execution but the deals relating to performance thereof. At that the primary document will be the document confirming the fact of the securities transfer (for bearer securities as a rule, acceptance and delivery certificate) and presentation on the accounts will be based on content of the agreement terms.

The cost of the securities obtained by the organization free of charge is accounted on the debit side of the account 'financial investments' and on the credit side on the account 'deferred revenue's, sub-account 'Non-repayable receipt's at the amount of their market cost. The amounts accounted on this account for non-repayable securities are written off to the credit of the account 'other revenues and expenses' as they are charged off.

In the transferring party such operations will be presented as writing off of securities on the credit side of the account 'financial investments' in correspondence with the account 'other revenues and expenses' by the book value of securities transferred.

If the assets were received not free of charge then their cost will be presented on the debit side of the account 'financial investments' in correspondence with the settlement accounts at the amount of the purchase value of securities under the agreement. The payable due may be repaid in any way provided for fulfillment (termination) of obligation.

In the transferring party such operations will be presented as writing off of securities on the credit side of the account 'financial investments' in correspondence with the account 'other revenues and expenses' by the book value of securities transferred. At the same time the purchase value of the securities transferred will be presented as receivable on the settlement accounts.

All operations disclosed shall be confirmed by primary documents. According to the accounting regulations 'investment accounting' at least the following information shall be prepared with respect to securities subject to accounting:

- Name of issuer and securities name
- Number, series, etc.
- Nominal value
- Purchase value
- Costs related to acquisition of securities
- Total amount
- Date of purchase
- Date of sale or another with drawal
- Place of keeping

Upon detection of absence of securities not confirmed by primary documents, inventory shall be taken the results of which are recorded in the inventory registers or inventory reports. At the discretion of the chief executive the shortage detected may be charged from those responsible or written off as company expenses.

Based on the above, the procedure of expert examination on the subject of compensatory nature of securities transfer shall imply determination of:

- Covering documents supporting the bill transfer transactions
- Book keeping accounts on which the relevant operations were presented
- Ledgers in which information about bills transferred/received by stakeholders was summarized and systematized

MAIN ELEMENTS OF EXPERT EXAMINATION ON THE SUBJECT OF THE COMPENSATORY NATURE OF SECURITIES TRANSFER

Thus in order to determine if transfer of bills between the specified organizations was free of charge or was resulting from the settlements under agreements the following documents objects under investigation are required:

- Contracts (agreements) between the ‘Professional’ and ‘Amateur’ LLC according to which the bill transfer was performed (gift deed, contract of exchange, loan agreement, purchase and sale contract, assignment agreements, etc)
- Certificates of the bill transfer from the ‘Professional’ to the ‘Amateur’ LLC
- Ledgers (turnover balance sheets, account cards/subaccounts, accounts/subaccount turnovers, transaction registers, securities registers and other forms of consolidated documents) that may present operations on the bill transfer

In the transferring party (‘Professional’ LLC):

- On the account ‘financial investment’
- On the account ‘settlements with sundry debtors and creditors’ for the contractor ‘Amateur’ LLC
- On the account ‘settlements with purchasers and clients’ for the contractor ‘Amateur’ LLC
- On the account ‘Other revenues and expenses’
- In the receiving party ‘Amateur’ LLC
- On the account ‘financial investment’
- On the account ‘settlements with sundry debtors and creditors’ for the contractor ‘Professional’ LLC
- On the account ‘settlements with suppliers and contractors’ for the contractor ‘Professional’ LLC
- On the account ‘Settlements in respect of short-term credits and loans’ for the contractor ‘Professional’ LLC
- On the account ‘Settlements in respect of long-term credits and loans’ for the contractor ‘Professional’ LLC

- On the account ‘other revenues and expenses’
- On the account ‘deferred revenues’

Without comprehensive analysis of the specified set of items under investigation it will be impossible to state the non-repayable transfer of securities between the ‘Professional’ and ‘Amateur’ LLC.

At that the main research methods will be logical analysis of economic operations, specification, dialectic, systemic and integrated approaches.

CONCLUSION

On the basis of the above, the conclusion may be drawn that the use of the proposed framework procedure allows standardizing the approach to performance of the expert examination by an accountant.

Thus, the developed principles of design of the framework procedure promote to creation of the fixed structure of performance of forensic accounting expert examination. This will not only allow standardizing the examination performance method but will also facilitate the courts in assessing the quality of performance there of. On the basis of the above the conclusion as to viability of the proposed approach to design of the expert procedure and possibility of applying it for different examination issues may be drawn.

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