

The Methods of Dealing with Common Mistakes in Preparing the Financial Statements

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Abstract: Financial rolls of every commercial unit are reflecting the rate of activities and management performance during a specific (definite) period of time. So preparing financial rolls should be done under specific criteria in order to presented information from every aspects be reliable and related for users. Typically small corporations do not enjoy an expert management system and in fact are under the control and influence of capital owners and essentially assign presenting financial rolls, as a kind of removing a duty or task and trying that preparing financial rolls cost the least possible charge for the commercial unit therefore these financial rolls presented by small corporations consist of many mistakes (digital, typical, drooping out,...) that could spoil the propensity of users of financial rolls toward investment or other proceedings. The aim of this article, is checking and studying the methods of checking with the mistakes in preparing financial rolls, which in this article the most emphasis is on applying a strong management system, making a suitable internal control inside the organization, making use of experienced accountants, using appropriate computer software's and managing prevalence of moral (virtual) values among personals.

Key words: Common mistakes • Financial Statements • Auditing

INTRODUCTION

Applying accounting standards in preparing financial rolls, determines a specific framework for commercial corporations and units, so that managers and other users of this for could easily make their decisions about the corporation; major corporations which contain experienced accounting board, by obeying these principles and frameworks, can prepare reliable financial rolls of financial information for users but in some companies because at employing inexperienced accountants or conscience less personnel there are a lot of typical, digital or computational mistakes in financial rolls. These mistakes in financial rolls can end mage the credibility and reputation of the company.

MATERIALS AND METHODS

Common Mistakes in Financial Statements: The find financial statements are prepared by financial department of a company, must be free from any mistake weather

major, minor surface or from accounting standards point of view. Financial statements are reflecting the company's managers performance during one year or financial period infant are the showcase(window) of that company. The financial statements which are prepared by authentic companies of world, are prepared and printed as a booklet with a very high quality from all aspects such as (kind of paper, type setting, colors, there are no even slightest mistakes. [1] The reason could be found in responsibility of the individuals who prepare these reports and also it is related to reliability of these companies in the society. of course preparing such are very expensive and costly and can not be justified by average or small corporations; and there is not expectation of these companies to undertake such expenditure (charges) but the financial statement prepared by some companies on ordinary papers and as photocopies and are very simple, must at least, be correct and error free. we can say that the common mistakes in financial statements and appendages of some companies (the surface mistakes and not accounting standards)

probably are happen because of coreless nests of their producers, because the final financial statement are of no value for them and are kind of releasment from task (duty) [2].

The Characteristics of Small Commercial Units:

- Possession or operating control is confined to scant people and the mastery of capital owner (principal or manager) is indefeasible; Independence and the controlling power of capital (owner is providing on environment in which every thing is under his control and influence and his power and ability in applying internal controls from auditing competence aspect, is of great and major role.
- Accounting knowledge of personnel or management is limited: The tendency of most capital owners is diverted to managing through focus on affaire related to selling and marketing and developing their unit and so it is possible they don't pay attention to financial affairs or major internal controls.
- Management believes that there is no need to hire expert personnel or it can't afford it:

The management who is not sensitive toward control can be indifferent or less considerate to control system of accounting of commercial unit. and extenuating internal accounting controls, probably are serious obstacles on the auditing way of small commercial units.

- Trampling Internal accounting controls by management: Capital owner (manager) usually can trample the suggested (prescribed) methods. Most of the time, the performance of the manager is not observed (checked), because in most of small commercial units, there is no control or supervision upon manager's job.
- Inadequacy of internal accounting controls: Probably these inadequacies caused by limited segregation of tasks (duties) or easy access of office personnel and employees to accounting documents or assets or un formularized methods. Limited segregation of duties or tasks is a universal (pervasive) weakness, which can lead to auditor's avoidance (elusion) from reliance on internal controls and if because of inadequate secretion of duties (tasks), an individual fall into a mistake and delinquency and secretion of mistakes, the auditor should presume a great probability occurrence of mistakes and

delinquencies. limited segregation can provide an environment, in which office and ministerial personnel and employees can easily get access to financial documents and objective assets. For example an employee who is responsible alone for adjustment of checks and registering cash payments (pocket payments) and preparation of bank contradiction statement, is able not to register a check and also prevents its discovery (detection) Internal control inadequacies could be also generated from un formularized methods of registration in registration books. un formularized methods registration, doesn't necessarily lead to insufficient documents, but it increases probability of mistake and delinquency. [4-5]

Internal accounting (financial) controls: These are controls which directly effect on reliance competence of accounting documents and financial statements [Table 1]. and are established in order to get access to the goals such as protection of assets, reliance competence of accounting documents and preparation of reliable financial statements.

The Different Kinds of Internal Accounting (Financial) Controls:

1) Basic (Primary) Control: The least internal controls, necessary for assurance of correct and complete registration of the activities of commercial unit such as: objective observing of fixed assets, shunt studying of flow of account in order to determining unusual items, preparing and arrangement of contradiction list or resolving (eliminating) the contrast (contradiction). [6]

2) Disciplinary Control (Secondary): Controls which are clone because of assurance of performing the basic internal controls and protection of possessions& assets of commercial unit.

Disciplinary controls are settled in companies whose activity volume is expansive. The disciplinary controls are divided into 3 categories:

a) Supervision Controls: are done to make sure of well performance of basic controls.

b) Protective Controls: are made in order to true and correct use of assets and protection of them, to prevent damage or misusing of them.

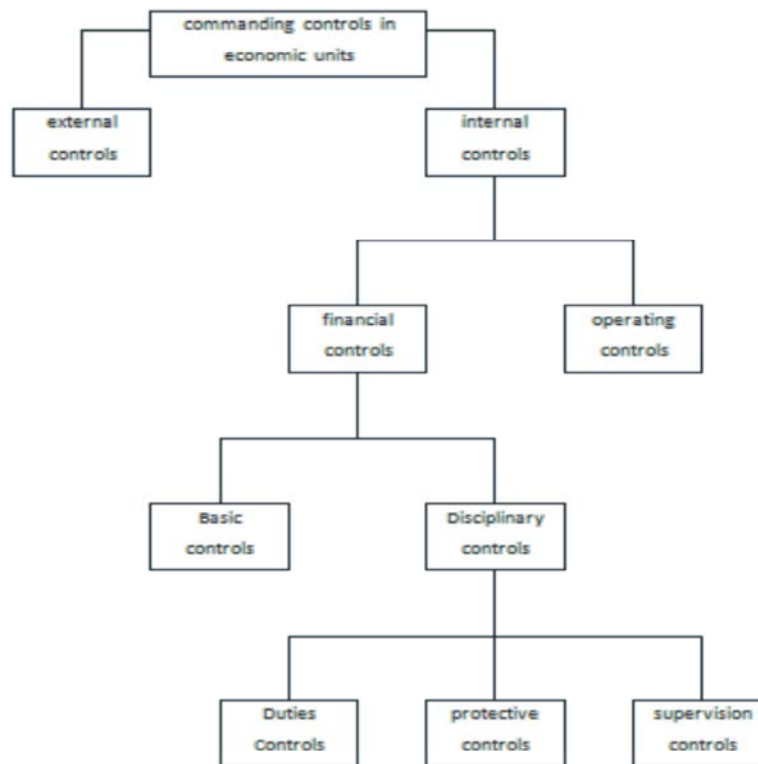


Table 1: Commanding controls in economics units

c) Duty Denoting Controls: Denoting duties and responsibilities among personnel, so that nobody should be responsible for doing and registering a trade from the beginning to the end. Generally, control and supervision of each person or individual (section) by another person (section) internal controls, Different kinds and tools of accessing it – consecutive and logical stages of operational accounting. [7-8]

Inactive or Ineffective Policy Making Institution: Most of small commercial units do not enjoy an active policy making institution such as a board (board of directors) and in many cases, supervision on management activities is not the responsibility of a one policy maker institution but, simply assigned to a collection of people whose c-names are used to registering a small commercial unit under the title of the company.

Applying Accounting Software: Today, computer has become a tool which can perform everyday accounting activities with unprecedented rapidity and accuracy. computer makes possible preparation of information, which, in the past (previously) because of time and cost, in was not possible. when the owner prepares and records

(keeps) his accounting documents often see necessary using computer for implementing most of their auditing (considering) methods. the necessity of using a computer for auditing in international standards is said as follows: in same of accounting systems in which the computer system is used for processing which their application is more important, getting some kind of information without computer's help is a difficult or impossible job. Davis etalbelieve that performing same kind of auditing operations without a computer is difficult or impossible. They declare that it is possible to print and audit technical aspects of all records of computer data base without a computer, that in most cases because of high volume of information, it is not possible. For example in a very big company which has thousands of daily sales, manual checking (auditing) such volume of information because of time and the work, encounter with some obstacles [9].

A) Professional Qualification: In financial department, the employees which are employed must have professional qualifications. The concept of professional qualification consists of two fundamental aspects: (practicable commands about independent professional accountants).

B) Gating Professional Qualification: Gating professional qualification requires higher education which is completed (accomplished) based on professional formation (organization) regulations through special instructions, training (apprenticeship), taking and passing exams and gaining professional experiences.

Preservation of Professional Qualification: Preservation of professional qualifications requires continuum awareness of the professional's (job's) changes and evolutions (consists of new ideas about principles and regulations of accounting and auditing and their rules and laws related to it specially utilizing a program which by executing it an assurance should be created That professional services (by using a suitable quality control system) offered with desirable quality and according to its principles and professional regulations [10].

Working Conscience: It's been a while that the team « working conscience » is added to our administrative culture and is considered by senior administrators (managers); that until now there weren't any essential, fundamental steps toward identifying and imposing working conscience in the society satisfaction and practical obligation toward the determined duties (tasks) for human.

With this condition that, without any controlling & supervising system, the person should do his best to perform his duties (tasks).

Working conscience is one of the circuits (scopes) of human conscience which is made due to working morality and determines the border between right and wrong and righteous and unrighteous. In other words « morality » is a personal insight and meritorious spirit which every body in the society is qualified and consider it as a moral accomplishment but they don't pay enough attention to it, « working morality » is the musts and must notes which applying them in working environment is in the direction of realization of the organizations working aims (goals. and in the comment of public culture council; « conscience » is a situation in which individuals of a society are trying to do their best and in an exact way and with obeying the improvement principles to perform all the jobs that delegated upon them in their occupations.

Working conscience compel human beings to always try to realization of following ideals:

- The job (work) should be done without any fault and deficiency and with extreme accuracy and honesty
- The job (work) should lead to logical and defined results and conclusions.
- The job should be done on time and in a suitable and necessary time for that job.
- The job should be done without supervision and control of external factors and in extreme accuracy and correctness.
- The job should be done with the least cost and charge. [11]

The Effective Factors on Work Conscience: In order to the person perform the determined job, we can imagine several situations:

First State (Case): Is done through force and power (push), in which the worker is punished by the slightest violation (contravention) and because of punishment nightmare, is trying to work with his extreme (utmost) power and strength.

2nd Case: By adjusting rules and regulations and provoking proper material motivation such as increasing payments, raising lateral premium, decreasing work hours and improving working conditions, the worker (employee) impressed by these stimuli, uses his/her utmost effort (endeavor).

3rd Case: Amplifying working conscience and using materialistic stimuli, along with reinforcement and emphasize on virtual goals.

Creating Job Satisfaction in Employees: One of the bases for job evasion in administrative formation and organizations is dissatisfaction of employees of their jobs. Unfortunately this phenomenon is so pervasive that we can find very few ones who are satisfied with their current job.

This affair caused sensible ebb in efficiency rate of administrative (executive) operations of organization and despite copious (wide) facilities of present time and relative costly budgets, sometimes they don't achieve previous efficiency (yield). these dissatisfaction could have several reasons and factors such as: heterogeneity (imparity) of the person's skills with the job he/she performs, mal adaptation of payments and job difficulty, small jobs for big people and big jobs for small people [12-13].

Education (Instruction) of Employees: Publishing weekly or monthly leaflets or educational pamphlets toward increasing information and being aware of group activities of corporation increase employees interest in job and diverting their attention toward this point that the company and employees themselves, are ongoing improvement and stating the job's importance and value is so important, for it causes a feeling of exaltation.

Physical Environment: Working environment has a great effect on individuals spirit, for example for instable aesthetic spirit of employees, the working environment should be clean, neat and chilling and light system and proper decoration, causes tiredness fatigue, tension, dispirit ness from being in that environment and even caused anger or depression or... nowadays you can't deny the effect of light, colors, decoration on individual's spirit. The air conditioning system and hygiene and creating greenery and buffet and transportation system (service) are among other cases which increase motivation and enthusiasm for work in employees and they word with more concentration [14].

CONCLUSION

By studying the performance of small commercial units we found that the major factors of mistakes in presenting financial rolls, are weak management and unfamiliarity of employees with moral values and deficiency in internal (inner) control of the corporation, that with unity among employees and making use of a qualified manager and creating a clean and pert environment in organization we can achieve financial rolls without any mistake. Today, officials of preparing financial rolls, realized that using computer software in preparing financial rolls can be so effective and by making use of accounting software's we can economize time and cost (charges) of preparation of financial rolls. There fore, mechanization of stages of preparing financial rolls, becomes an essential affair in companies and corporations. And makes the users of financial rolls, confused. These corporations by combining the management factors and control factors and by utilizing (employing) experienced and expend accountants, can easily submit error free financial rolls.

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