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Use of financial analysis in external audit procedures

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Abstract

Financial audit examining the correctness of financial reporting plays an important role in the current economic reality, because it gives credibility to the accounting information system of entities subject to Polish balance sheet law. The course of the external audit, regulated by many national and international regulations, allows the entities carrying out the audit to use various tools, thanks to which it is possible to issue an opinion and prepare an audit report constituting the basis for assessing the economic and financial situation of the audited entity. One of these tools is financial analysis using techniques such as ratio analysis, trend analysis, comparative analysis, rationality test or regression analysis. Each technique performs different tasks in the course of the audit and has a significant influence on the auditor's final judgment about the audited entity. The article describes the above-mentioned techniques and assesses their usefulness in the financial audit.

Keywords: external audit (financial audit), statutory auditor, financial statements, financial analysis, audit techniques

1 Introduction

In the current economic reality, there is a phenomenon of a permanent increase in the demand for reliable information from the financial statements of entities operating in the Polish economy. They are used both by the external environment and the unit managers for various needs, such as planning, achieving the set goals in the broadly understood short- and long-term decision-making process, calculation, analysis, internal and external control, settlement of activities with the tax office. Confirmation of the accuracy of this information is assigned to an external audit, which is equated with a financial audit or an audit of financial statements. Audit is a complex procedure, assuming the audit of financial statements by a statutory auditor, which provides in a full and reliable manner a range of information about the economic and financial situation of the audited entity. The issue of external audit is a vast and complicated issue due to the complexity of procedures and legal conditions resulting from Polish and international regulations.

The most important document that gives a lot of reliable information about the situation of a given enterprise is the financial statement. All its elements, from the balance sheet to the notes, are an irreplaceable source of data for all users of this document, regardless of whether it is about statutory auditors or the entity's management or potential investors. The information contained in the financial statements is subject to thorough analysis aimed at detecting material misstatements and constitutes the basis for issuing a final opinion on the financial situation of the company. research to verify the data contained in the financial statements. It is supplemented with a general assessment of the external environment of the entity and examination of the regularities occurring in the area of operation of the audited enterprise.

The primary objective of this article is to assess the role of financial analysis in the procedures of auditing financial statements by statutory auditors as part of an external audit, using the available research tools and methods.

2 The financial audit system in Poland and its role in assessing the credibility of financial statements

The main objective of the financial audit is to examine the correctness of the financial reporting of entities operating in the Polish economy and subject to the balance sheet law. The implementation of this goal is regulated by a number

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of national and international legal acts. The most important of them are presented in Table 1.

Table 1. Selected national and international regulations in the field of financial audit

Regulations in the field of external audit						
Accounting Act	Act on statutory auditors, audit firms and public oversight Act	National Standards on Auditing	International Standards on Auditing	Directive 2006/43 / EC of the European Parliament and of the Council of 17 May 2006. on statutory audits of annual financial statements and consolidated financial statements	Regulation of the European Parliament and of the Council No. 537/2014 of April 16, 2014 on specific requirements for statutory audits of financial statements of public-interest entities	IFAC Code of Ethics for Professional Accountants

In addition, since 2015, in accordance with the recommendations of the Audit Oversight Commission (AOC), the requirements in the area of financial auditing have been implemented in the Polish economy, specified mainly in: International Standards on Auditing (ISAs), International Standards on Review Services (ISRS), MSUA), International Standard for Quality Control 1 (ISQC 1).

It should also be mentioned about the regulations issued by the Polish Chamber of Statutory Auditors (PIBR) and other regulations, such as: documents of the Ministry of the Treasury, regulations of the Polish Financial Supervision Authority (KNF), best practices of Audit Committees and companies listed on the stock exchange.

The Accounting Act only specifies the group of entities obliged to conduct annual audits of the financial statements (Article 64 (1)) and the duties of the head of the entity regarding the preparation and conduct of the audit. Therefore, all entities that are subject to the Act, taking into account the audit obligation perspective, can be divided into [11]:

- subject to annual statutory audit of financial statements,
- subject to statutory audit after meeting the criteria specified in the Accounting Act or other regulations,
- subject to voluntary examination

The Act on Statutory Auditors, Audit Firms and Public Oversight is classified as one of the legal acts containing detailed solutions regulating the organization and course of financial audit in Poland, as well as the functioning of units related to external audit.

The other regulations listed in Table 1 had a significant impact on the shape of the external audit system until the end of 2017. The International Auditing Standards adopted in 2018 significantly changed the course of financial audits in our country. The new procedures for conducting financial audit have forced the auditors to establish procedures in such a way that they comply with the new standards and follow the stages described below.

The first stage of the revision after the adopted changes are preliminary activities. The auditor in this section considers issues related to customer acceptance or continuation of cooperation with a given client, acceptance of the engagement to audit the entity, and appointment of a team to audit the entity. In addition, in accordance with ISQC

1 and ISA 220, the auditor is required to obtain the necessary information that will allow him to make a decision whether to accept a new engagement or to continue an existing one. The auditor is able to make such a decision after performing the test that it covers [3]:

- independence of the audit firm and the audit team,
- the scope of competence of the audit team,
- a guarantee of compliance with ethical principles by the research team,
- aspects related to the integrity of the client.

What is more, regardless of the audit procedures and methodologies applied by a given audit firm, prior to the audit, the statutory auditor and his team submit a declaration of compliance with the independence requirements [12].

The second stage of the audit is planning the audit, which consists in identifying the audited entity and developing the audit strategy. The following processes are listed in this step [12]:

- test plan (checklist),
- getting to know the individual and his environment,
- initial analytical review,
- going concern basis (initial recognition),
- establishing materiality levels,
- opening balance / comparative data,
- Accountability regarding fraud in planning the audit (checklist),
- meetings at the planning stage,
- Study Planning Memorandum.

In addition, at this stage, a schedule is created that defines the time frame for the key stages of the study.

The next stage, in line with the adopted standards, is the present [15], which, after a proper identification of a material misstatement, allows limiting the scope of the audit only to specific and material areas. Pursuant to ISA 315 (25), the auditor identifies and assesses the risks of material misstatement (RIZ) at the financial statement level and at the assertion level for classes of transactions, account balances and disclosures, which is a direct basis for performing further audit procedures in the next stage of the audit as " risk response ".

In this step, the auditor selects appropriate techniques that are detailed in ISA 330, the Auditor's Responses to Risk Assessments, and are [2]:

- inspections,
- observations,
- directing inquiries,
- getting confirmations,
- recalculation,
- repeating certain activities,
- analytical procedures.

The objective of this step is to obtain sufficient appropriate audit evidence for the assessed risk of material misstatement by designing and applying appropriate risk responses. [16].

The next stage in the external audit is the main audit, which consists in a holistic analysis of all elements of the financial statements of the entity, i.e. balance sheet, profit and loss account, statement of changes in equity, cash flow statement and notes. After gathering information and drawing conclusions from it, the auditor expresses an opinion on whether it has obtained reasonable assurance about material misstatements in the audited report, whether caused by fraud or error.

The procedure preceding the final stage of the audit is engagement verification and quality control. ISA 220 defines the responsibility of the audit firm for quality control procedures and according to this standard, the company is obliged to establish and maintain a quality control system ensuring that the company and its personnel comply with professional standards and applicable legal regulations, and that the report issued by the company is adequate to the circumstances.[16].

The final stage of an audit is the preparation of the auditor's report on the entity's audited financial statements, which, under ISA 700, should be:

- title,
- addressee, in accordance with the provisions of the order,
- a paragraph identifying the audited financial statements,
- description of management's responsibility (or other appropriate term) for the preparation of the financial statements,
- A description of the auditor's responsibility to express an opinion on the financial statements and for the scope of the audit it covers:

  - a reference to Philippine Standards on Auditing and law or regulation,

  - the description of the study in accordance with these standards,
- an opinion paragraph containing an opinion on the financial statements and a reference to the applicable financial reporting framework under which the financial statements are prepared (including an indication of the jurisdiction of the reporting framework that is not International Financial Reporting Standards or International Financial Reporting Standards) Public Sector Accounting Standards),
- signature of the statutory auditor,
- the date of the auditor's report,
- address of the statutory auditor.

Therefore, it can be said that the financial audit (financial audit) should be understood as the audit of the financial statements and the functioning accounting system of units by specialized, certified specialists - statutory auditors. The certified auditor, when verifying the accounting system, the final product of which is the financial statement, confirms the credibility of all events that had an impact on the company's assets, its sources of financing, revenues, costs and financial result. Hence, an audit is carried out at every stage of conducting business activity of its reliability, compliance with the law and possible detection of existing and potential irregularities in the functioning of enterprises, and thus in the entire national economy [5]. The financial audit covers the issues presented in Fig. 1.

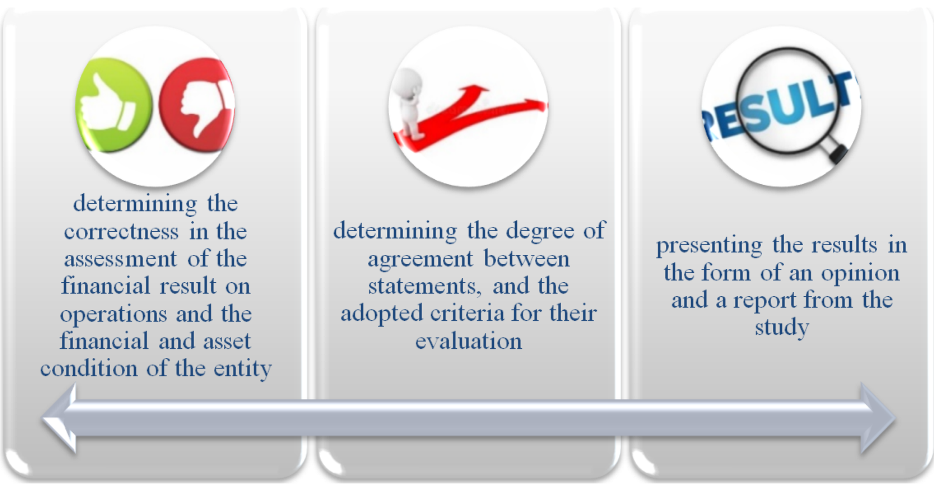

Figure 1. Audit research areas

It can be concluded that without a financial audit it is difficult to imagine the functioning of individual accounting systems that make up the accounting system in Poland in entities subject to balance sheet law, constituting a source of reliable and credible information for internal and external decision-making processes.

The financial audit performs three basic functions presented in Figure 2. The control function results from the audit of the financial statements and issuing the opinion together with the statements (it consists in checking the credibility of the financial statements). The information function is included in the opinion issued by the statutory auditor confirming the continuation of the company's operations in the new financial year or the need to make corrections. The final authentication function is that the auditor determines the ultimate reliability of the entity's entire financial statements by confirming this fact in the audit report.

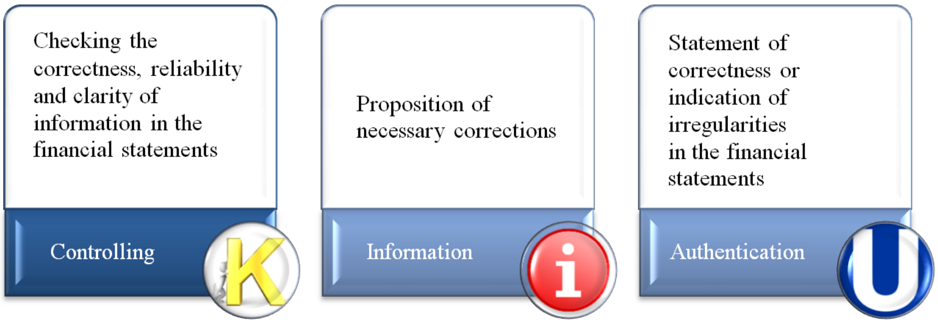

Figure 2. Audit functions

The issuance of an opinion and the preparation of the audit report is preceded by the preparation of detailed audit documentation in accordance with ISA 230, "Audit Documentation". This methodology is presented in Table 2 [1, 6].

Table 2. Methodology for creating documentation in ISA 230 (based on [17])

ISA 230, "Audit Documentation"		
Deadline for preparing the documentation	Factors influencing the documentation	Sample materials in the documentation
The preparation of sufficient appropriate audit documentation without undue delay helps to improve audit quality and facilitates an efficient overview and evaluating the audit evidence obtained and conclusions reached prior to drawing up the auditor's final report. Documentation produced after the audit work has been performed is likely to be less accurate than documentation prepared in the course of such work.	• the size and complexity of the unit • The nature of the audit procedures performed • Identified risks of material misstatement • The significance of the audit evidence obtained • the nature and extent of any exceptions identified • the need to document a conclusion or the basis of a conclusion that is difficult to formulate on the basis of documenting the work performed or audit evidence obtained • research methodology and tools used	• research programs • analyzes • notes taken • summaries of significant matters • letters containing confirmations and statements • checklists • correspondence (including e-mail) relating to significant matters

3 The informational value of the financial statements for the purposes of external audit

The financial statement is the basic document necessary to conduct a financial audit and at the same time the main source of information about the audited entity.

The statutory structure of the financial statements, including the balance sheet, profit and loss account, cash flow statement, statement of changes in equity (fund) and additional information, fully reflects the financial and economic situation of the entity and constitutes the direct basis for issuing a statutory auditor's judgment on the continuation of operations by a given enterprise. The scope of the financial statements is presented in Table 3.

Table 3. Elements of the financial statements (based on [13])

Elements of the financial statements	
Balance	Basic, prepared by all entities subject to the Accounting Act (uor)
Profit and Loss Account	
Additional information - introduction to the report as well as additional explanations and information	
Statement of changes in equity (equity)	In addition, entities obliged by the balance sheet law to perform external financial audit
Cash Flow	

Each of the elements of the financial statements is a carrier of specific information and numerical statements on the activities of a given company in a separate period. The information value of individual elements is presented in Table 4.

Table 4. Information value of the elements of the financial statements (compilation based on [4])

Report items	**Basic information**
Balance	Data on the size, structure and changes in the assets of the entity and on the sources of their financing as at a specific date.
Profit and Loss Account	Data on the size of revenues, costs and financial results for a specified period.
Statement of changes in equity (fund)	Data on changes in the entity's equity.
Cash Flow	Information on changes in the monetary position of the entity (on cash inflows and outflows).
Additional information	Description of the adopted accounting principles (policy) and additional information and explanations to individual elements of the report, proposed profit distribution or loss coverage, basic information on the entity's bodies and its employees or other relevant information necessary to understand the document.

Figures 3 and 4 show the scope of information contained in individual components of the report, taking into account their detail and the possibility of using them.

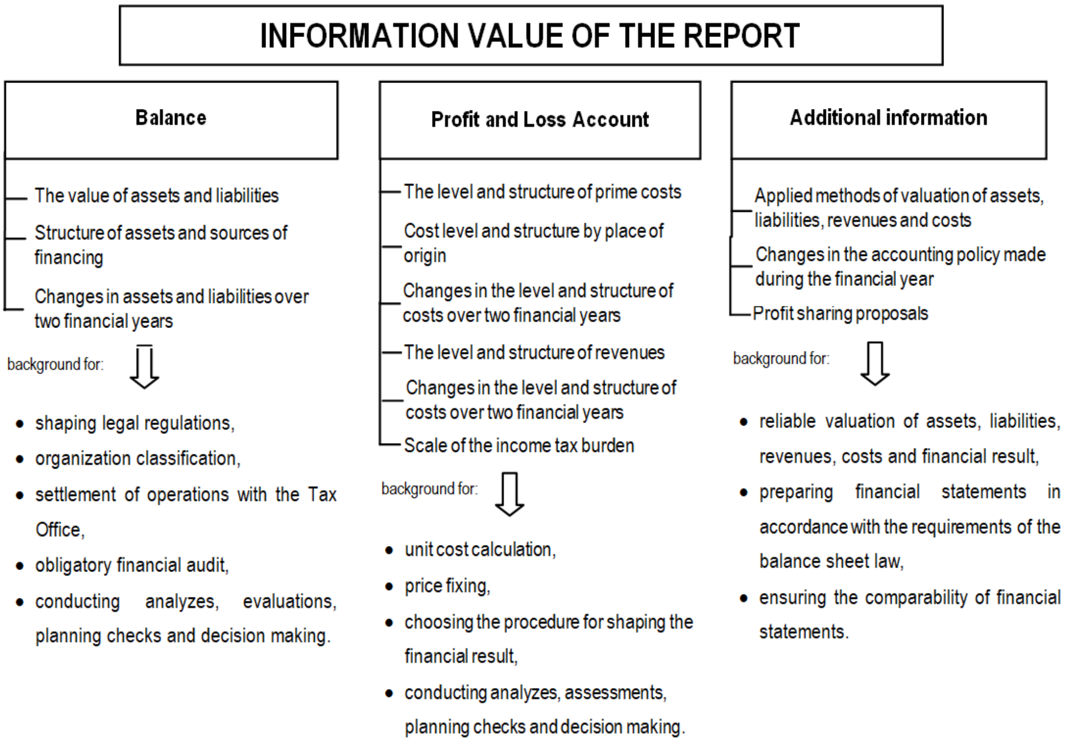

Figure 3. The information value of the basic components of the financial statements [5]

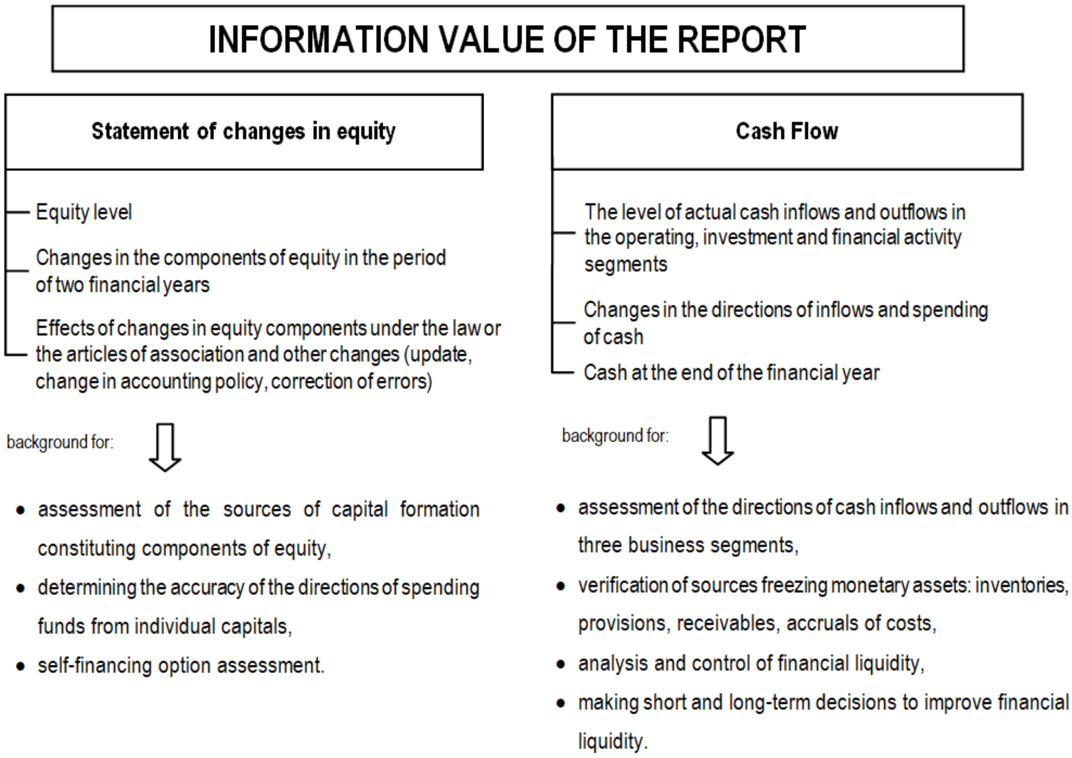

Figure 4. The information value of the remaining (not applicable to all entities) components of the financial statements

4 Assessment of the economic and financial situatin of the business entity for the needs of external audit based on financial analysis.

Financial analysis is the basic tool used in the course of financial audit by statutory auditors. On its basis, conclusions are formulated and the auditor's final opinion on the continuation of the company's operations is issued. It is included in the area of the widely understood analysis of the company's operations, the scope of which is presented in Table 5. This analysis includes the economic analysis of the enterprise, the scope of which is shown in Table 6.

Table 5. Analysis of the company's activity

<table>
<tr><td rowspan="2">It determines the opportunities and threats to the functioning of the enterprise in relation to the changing environment and identifies the strengths and weaknesses of the enterprise</td><td colspan="3">Analysis of the company's environment</td><td colspan="2">Economic analysis</td><td rowspan="2">It determines the economic results achieved by the enterprise as a result of activity in the given period</td></tr>
<tr><td>Assessment of social and legal conditions</td><td>Market analysis</td><td>Competition analysis</td><td>Financial analysis</td><td>Technical and economic analysis</td></tr>
</table>

Table 6. The scope of economic analysis in the enterprise

Economic analysis	
Financial analysis	**Technical and economic analysisn**
Initial balance sheet analysis	Production analysis
Profit and loss account analysis	Analysis of the company's equipment with fixed assets
Determining and assessing cash flows	Material management analysis
Analysis of the company's financial condition in the area of liquidity, debt, profitability, and operational efficiency	Analysis of technical progress and new launches
Factor-based analysis of the financial result	Employment, payroll and productivity analysis

The most frequently used technique in the framework of financial analysis is the ratio analysis used to assess the financial condition of the enterprise and to examine the relationships between the individual elements of the financial statements. It is supplemented with other techniques of financial analysis, such as trend analysis, comparative analysis, regression and rationality test, allowing to present in a credible and reliable manner the economic and financial situation of the audited entity, which is the main assumption of a financial audit.

The ratio analysis is an extension of the preliminary analysis of the elements of the balance sheet, profit and loss account, cash flow statement and the statement of changes in equity (fund), assuming vertical (structure) and horizontal (dynamics) analysis of the balance sheet and profit and loss account and the examination of the existing between them relationship.

When conducting the ratio analysis, the auditors use four basic categories of indicators that are the subject of the analysis, namely: liquidity, economic activity (turnover - operational efficiency), debt (solvency), profitability (profitability), which are presented in Table 7.

The range of indicators in each group is huge, which gives a wide range of possibilities for their use in analytical work depending on the needs of the analysis, industry or the size of the examined entity. Tables 8-11 below present selected indicators from the main analytical areas, including the method of their calculation and interpretation of the obtained results.

To sum up, it can be stated that the indicators used in analytical works, as part of the financial audit, provide a basis for formulating final conclusions mainly for the purposes of assessing the economic and financial situation of

Table 7. Selected financial ratios

Financial indicators										
Liquidity			profitability			liabilities			Efficiency of operation	
Current liquidity	Fast liquidity	Instant liquidity	Profitability of sales	Profitability of assets	Return on equity	General debt	Equity debt	Share of long-term liabilities	Indicator, rotary cycle	Rotation indicator

Table 8. Selected financial liquidity ratios

Financial Liquidity		
Current financial liquidity	**Fast financial liquidity**	**Instant liquidity**
W = Current assets / Current liabilities The optimal range of the index is 1.2 - 2	W = Current Assets - Inventories / Current Liabilities The optimal range of the ratio ≥ 1	W = Short-term investments / Current liabilities
The indicator below 1.2 indicates a risk of liquidity loss. The indicator above 2 indicates excess liquidity (there is a high level of liquid assets that do not bring income)	The indicator shows the unit's ability to quickly meet its liabilities with current liquid resources	This indicator informs and allows for the repayment of current liabilities only and exclusively from funds involved in short-term investments, thanks to which no current assets are involved that can still be used in the operating activity of the entity

Table 9. Selected debt ratios

Liabilities		
Overall debt indicator	**Equity debt indicator**	**Share of long-term liabilities**
W = Total liabilities / Total Assets or Liabilities Acceptable ratio range 57 - 67%	W = Total liabilities / Equity Optimal value 75 - 100% (depending on the activity)	W = Long-term liabilities / Total liabilities
The indicator shows to what extent the unit is financed from external sources. The lower the lower the risk of default.	The ratio shows the degree of debt financing with equity	The indicator shows the structure of liabilities. The optimal situation is when the short-term liabilities are smaller than the long-term liabilities.

the audited entities and issuing the final opinion, which is an element of the audit report conducted by the statutory auditor. The essence of the financial indicators is presented in Table 12.

In addition to the four basic categories of financial indicators, statutory auditors distinguish the so-called The "five

Table 10. Selected performance indicators

Efficiency of operation	
Rotary cycle indicators	**Rotation indicators**
Receivables cycle = (average receivables / sales revenues) $*$ 365 Liability cycle = (average liabilities / sales revenue) $*$ 365	Rotation of Current Assets = Net revenues from sales / Average current assets
The indicator determines the unit's efficiency in resource management.	The indicator shows what sales will be generated from PLN 1 of capital. The higher the better

Table 11. The essence of financial indicators

Financial indicators			
liquidity	**debt**	**profitability**	**efficiency of operation**
The enterprise's ability to pay its liabilities on time. Financial liquidity plays a key role in the implementation of the company's ongoing activities	It indicates the company's situation in terms of servicing long and short-term liabilities and the origin of the source of financing the assets.	It reflects the financial condition of the enterprise. It shows the sales results and profitability of equity and external capital	Provides information on the state of use of material and intellectual resources in the enterprise.

golden rules of financing" which facilitate the interpretation of results and determine certain relationships between certain assets and liabilities. The behavior of individual relationships should be reflected in the "healthy" economic and financial condition of an economic entity. It should be remembered that these rules are not mandatory and universal in each analyzed case, and the interpretation of related indicators should be approached with caution. They are used by auditors as guidelines in the process of risk identification at the stage of engagement acceptance or audit planning [9]. These rules are listed in Table 13 below.

Table 12. Five golden rules of financing [9]

Indicator	**Formula to calculate the indicator**
The golden balance rule (1st degree of coverage)	$\frac{equity \quad capital}{fixed \quad assets} \geq 1$
Golden banking rule (2nd degree of coverage)	$\frac{constant \quad capital}{fixed \quad assets} \geq 1$
III degree of coverage	$\frac{constant \quad capital}{fixed \quad assets \quad + \quad long \quad - \quad term \quad part \quad of \quad current \quad assets} \geq 1$
The golden rule of financing	$\frac{equity \quad capital}{total \quad liabilities} \geq 1$
Net working capital	Net working capital> 0

It is also worth mentioning the disadvantages and limitations which, in the era of a highly globalized economy and turbulent changes taking place in the environment of the enterprise, cause criticism of economists regarding the use of index analysis in the assessment of the financial situation of economic units.

The basic negative aspects of the ratio analysis are [7]:

- subjectivism (in the selection and evaluation of measures)
- obsolescence of optimal values of financial indicators over time (e.g. as a result of a change in the business cycle),
- conflict of precepts,
- static (indicators calculated on the basis of values from a specific moment - most often at the end of the reporting

year),

- limited usefulness of data from the past in the analysis of the possibility of going concern in the future.

Despite many advantages, the ratio analysis in many cases is not a sufficient tool enabling the auditor to obtain a final opinion on the continued operation of a given economic entity and prepare the audit report, and failure to apply other financial analysis techniques by the auditor may prove detrimental to the owners of a given entity. enterprises and statutory auditors inconsistent with the principles of professional ethics.

Other analytical techniques include [9]:

- trend analysis,
- comparative analysis,
- rationality test (legitimacy),
- regression analysis.

The trend analysis technique consists mainly in comparing the indicators relating to the examined enterprise or other values (e.g. balance sheet total, sales revenues, net assets, net financial result) for several or more than ten periods in order to formulate certain assumptions and expectations.

The trend analysis can be performed in an Excel spreadsheet, creating a chart with the analyzed values marked, e.g. ROA indicator or sales revenues from several selected periods (e.g. 3 years divided into months). Then, using the tools in the spreadsheet, you can plot the trend line and determine the equation of the plotted line in the form:

$$y = ax + ab \tag{1}$$

where the value of a indicates the slope of the designated trend line. This allows to predict how the analyzed values will develop in the future.

The main assumption of the comparative analysis is to relate the economic values and financial ratios calculated by the auditor in the course of a financial audit to the corresponding values of other entities operating in a given industry. The necessary conditions for this analysis are to bring the data to comparability.

Contrary to the trend analysis, the comparative analysis provides preliminary information about the situation of the examined economic unit against the background of companies competing on a given market and allows to identify significant risks that may be overlooked. For this reason, it is recognized that benchmarking provides much more essential and relevant information than trend analysis.

The rationality test assumes building a certain logical model resulting from the analyzed account balances and turnover or changes occurring in them in the analyzed period, which allows, on the basis of other available financial or non-financial data, to define certain rules and determine the expected values.

Another available audit technique is regression analysis. It is an evaluation that allows you to study, describe and use the relationships between the various analyzed financial indicators and economic quantities, and to use the acquired knowledge to predict future unknown values based on known book values. The advantage of regression analysis, which is an example of the use of statistical methods in financial analysis, is the possibility of measuring the probability of the obtained results in a mathematically justified manner, where most methods are based on professional judgment and the auditor's experience. The conclusions drawn from the regression analysis are objective and meet the comparability criterion [7].

In practice, the use of the regression technique consists in the use by the statutory auditor of statistical tools contained in the software used by the statutory auditor (e.g. STATISTICA, SAS Enterprise, Excel spreadsheet), entering the data necessary to conduct the analysis and, after interpreting the automatically obtained data, drawing conclusions about the enterprise. It is worth noting here that the auditor does not need to have specialist knowledge in the field of statistics, but only understand the information value of information obtained with the use of IT tools [7].

Regression forces the auditor to determine the materiality level, i.e. the accepted risk of error. The International Standards on Auditing, adopted in 2018, requiring auditors to apply ISA 320, "Materiality in Planning and Performing an Audit", do not impose specific levels of materiality that the auditor is required to adopt in the course of financial audit. The determination of materiality levels depends on the circumstances and is based on the auditor's professional judgment and experience. Typical levels of significance depending on the area studied are [14]:

- profit from continuing operations 3%-7%,
- assets 1%-3%,
- equity capital 3%-5%,
- revenues 1%-3%.

Particular techniques also differ in the number of variables that can be taken into account during the analysis, the aforementioned level of certainty and the possibility of evaluating the obtained results. A comparison of the available techniques used in individual stages of the audit of financial statements, taking into account their usefulness in audit procedures, is presented in Table 14.

Table 13. Usefulness of individual techniques of financial analysis at various stages of external audit [8, 10]

Data analysis technique	**The greatest suitability**	**Number of variables that can be included in the analysis**	**Possible level of assurance**	**Possibility of statistical evaluation of the correctness of the results**
Indicators analysis	Planning/final procedures	One or more	Low	No
Trend analysis	Planning/final procedures	Usually one	Low	No
Comparative analysis	Planning/final procedures	One or more	Low	No
Rationality test	Planning/main study	One or more	Medium or high	No
Regression analysis	Basic research	Unlimited in theory, 5-10 in practice	High	Yes

Each of the specified analyzes is applicable at individual stages of the audit of financial statements, and the financial analysis itself is an irreplaceable tool enabling the acquisition of extensive information about the enterprise. The final decision of the statutory auditor issued based on the financial analysis contained in the opinion and in the audit report is the basis for future economic decisions made by all users of the financial statements..

5 Conclusions

The issues presented in this article make it possible to confirm the implementation of the goal assumed in the introduction and to draw the following conclusions:

1. The financial statement is a source of information about the economic and financial situation of enterprises used for the purposes of planning, calculation, settlement of operating results with the tax office, analysis, control and in the decision-making process.
2. The financial audit that controls the accounting system of the economic entity and its final product, which is the financial statement, is the validation of the reporting information system.
3. The demand for information from the verified financial statements by statutory auditors is growing and translates into the subject of auditing of those entities that are not obliged to it.
4. Standardization of audit procedures in accordance with the ISAs is conducive to the comparability of audit results around the world.

5. The ability to read the financial statements for the purposes of the financial analysis, which determines the issuance of a satisfactory opinion by the statutory auditor and the preparation of the audit report, is a huge challenge for both the management and the external environment, because it is the recipients of the financial statements that make important long-term and short-term decisions so important based on this report. for the present and future of a country's companies and economy.

6. The essence of financial analysis is the examination of individual processes and phenomena occurring in an economic unit, including data included in financial statements.

7. Financial analysis using a variety of techniques and research methods must be supplemented with a general assessment of the company's situation on a given market.

8. Traditional techniques of financial analysis are: ratio, trend and comparative analysis. They allow for a preliminary assessment of the economic and financial situation of the enterprise, while the rationality test and regression analysis, assuming the creation of a certain logical model, allow for obtaining better and significantly statistical results of financial analysis.

9. Each of the techniques has its limitations in the number of examined variables and various applications at each stage of the financial audit.

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