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**ACCOUNTING AND AUDIT ISSUES
AT PUBLIC CATERING ENTERPRISES**

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CONCEPTUAL ITEMS OF THE RESEARCH

Timeliness and importance of the research. Public catering stands as a very important and multifaceted part of the national economy. This domain of economy while pursuing production of material assets is equally engaged in the service sector. The mission of public catering enterprises is not limited to meeting the personalized needs of the population in catering services, but it also includes hosting leisure and recreation events [7].

Such a wide range of functions of public catering enterprises, along with a large spectrum of their ownership and management structure, requires specific regulations to govern various aspects of their activity in terms of sanitary-hygienic and technical standards. Inter alia, it ensures their more efficient and safe operation.

The study of public catering issues shows that this industry needs not only special regulations of a sanitary and technical nature, but also specific industry standards, which take into consideration the specifics of activities carried out by public catering enterprises in terms of financial regulation, in particular, in the field of accounting and auditing. Still, currently there is no regulatory framework governing accounting and auditing in the field of public catering.

The development and implementation of specific financial control mechanisms for catering enterprises will be equally beneficial to enhancing the quality of services provided to local people as well as to improving the most important economic indicators, such as growing profit margins, thus backing up the overall development and improvement of the industry as a whole. This determines the importance and relevance of the research topic, alongside with carrying out a thorough and comprehensive study of financial regulation peculiarities in the catering sector with the view of upgrading accounting and auditing methods and practices.

Analysis of the level of research and identification of research problems. Currently, there is a significant number of studies available in the domestic and foreign literature dedicated to accounting and auditing at public catering enterprises. Among the authors, it is worth mentioning A. Petrov, E. Batraev, P. Nikolenko, G. Nikolaev, A. Nederita, V. Bucur, T. Tuhari, E. Bajerean, A. Apostu, Yu. Kochinev, A. Miloserdova, Raymond Schmidjol, K. David Hayes, J. D. Nienemeyer, L. Kravchenko, G. Nesterov, N. Uvarov, B. Gavrilova, C. Ouatu, M. Dumitranu, D. Vishan, D. Stanescu, A. Terekhov, T. Sergeev et al. However, these papers are limited to reviewing certain aspects of herewith studied topic and do not offer a comprehensive approach to the regulation and optimization of accounting and auditing with regard to herewith studied industry. As a result, a wide spectrum of pending issues remains unsolved and shadowy in the economic literature.

The scientific issues addressed in the thesis cover the recommendations aimed to identify the specifics of public catering enterprise operation and their impact on accounting and auditing, the new methods developed for accounting and pricing the stocks, audit improvements, recommendations on how to determine the audit risk, collect and apply audit procedures while carrying out audits at public catering enterprises.

The purpose of this **research** is to research and summarize the existing accounting and auditing practices applicable to public catering enterprises, study the regulations and theoretical research in the selected field, as well as to draft specific recommendations and make proposals aimed at improving the accounting and audit activity in line with the current requirements and international practice.

To achieve this goal, the paper has been focused on the following **tasks**:

- identify the peculiarities of public catering enterprises and their impact on accounting and auditing;
- carry out a comparative analysis of accounting procedures used by local and foreign enterprises;
- develop effective methods for stock accounting and pricing;
- develop managerial accounting options and analyze the effectiveness of its application;
- develop recommendations for using the integrated reporting at public catering enterprises;
- develop new procedures for mirroring in accounting the costs, expenses and proceeds;
- study the procedure for setting the audit risk and develop proposals aimed at its improvement;
- develop the list of audit evidence and the procedure for its practical implementation.

The research methodology is based on the theoretical and methodological provisions. In preparing this research, the Author studied and made use of legislative and regulatory acts on accounting in force in the Republic of Moldova and in other states, as well as the IFRS and EU Directives. The research was conducted using a set of scientific techniques, such as inductive and deductive methods, systematic and complex approaches, qualitative and quantitative methods of analysis, synthesis of theoretical material, generalization, systematization, abstraction, as well as the principles of formal logic.

The research hypothesis is that there are systemic issues in the field of accounting and auditing in the public catering sector. These problems can have a negative impact on the accuracy and reliability of financial reporting, as well as on the effectiveness of internal control in this industry. It is assumed that despite the existence of existing accounting and auditing regulations and standards, the unique characteristics and complexities associated with public catering can lead to specific issues in the field of accounting and control. Therefore, conducting a more in-depth investigation of these problematic aspects is deemed necessary.

The scientific novelty and originality of the work consist of:

- applying a comprehensive approach to studying the accounting and auditing issues at public catering enterprises;
- deepening and developing the term ‘public catering enterprise’;
- drafting recommendations aimed at improving the current accounting documentation system and proposals for using progressive templates of primary documents dealing with stock accounting;
- developing recommendations to improve the inventory and accounting of losses at the public catering enterprises;
- proposing a new list of synthetic accounts and sub-accounts as part of stock accounting;
- justifying the new criteria for the classification of costs, proceeds and expenses at public catering enterprises;
- presenting recommendations to improve analytical procedures at various stages of auditing;
- improving the audit procedures and evaluation of its results in making managerial and economic decisions.

The practical value implies:

- improving the current accounting documentation system and developing more advanced templates of primary documents for stock accounting;
- proposing new procedures for book entry of spoilage, for setting and using provisions to cover stock losses;
- improving the existing register templates for stock analytical and synthetic accounting;
- developing a new way of indirect cost allocation;

- using the proposed audit procedures, bearing in mind the specifics of public catering enterprises;
- improving the testing processes in the course of auditing, sensing the peculiarities of public catering enterprises.

The theoretical significance is derived from the analysis of provisions laid down in the national and international accounting and auditing standards at public catering enterprises, as well as from the research of pricing methods, taking into consideration the specifics of public catering enterprises, and from justifying the proposals aimed at improving the audit procedure for stocks, proceeds and other financial statement elements.

The research subject-matter comprises the practical materials of catering enterprises of the Republic of Moldova, including, inter alia, “MADAM WONG” Restaurant (Truffe SRL), “Kiku Steak & Wine” Restaurant (PABUSS-M SRL), Cafe “AUGUSTO” (Melanj & Company SRL), Crisdim Lux SRL and Cafe “Bujak” (SS “UNIVERSALCOOP FROM CEADIR-LUNGA”).

The main scientific results forwarded to the defense stem from the thesis goal and objectives and consist of justifying the calculation methods of production costs at public catering enterprises, proposing the method of recording the losses due to spoilage of raw materials and a new account titled accordingly for their recording, researching the issues of using integrated reporting, justifying the auditing methods and the use of audit outcomes.

Implementation of scientific results. The research outcomes related to the accounting of low-value and fast-wear items, to the allocation of indirect production costs, creation of provisions to reimburse the stock losses were implemented at Truffe SRL and at Melanj & Company SRL.

Approval of research results. The core research outcomes were presented and approved at four international scientific conferences and symposiums held in Moldova, Ukraine, and Belarus.

Publications from thesis. Published by the research results were seven articles, three of which in journals accredited within the ANACEC. The total volume of publications amounts to 2.62 printer's sheets.

Volume and structure of the thesis. The thesis includes: abstract, introduction, three chapters, conclusions, recommendations, references (151 titles). The paper contains: 143 pages of body text, 20 figures, 37 tables and 14 attachments.

Keywords: accounting, audit, public catering, pricing, management accounting, proceeds, expenses, integrated reporting, audit evidence, audit risk, financial reporting.

CONTENTS OF THE THESIS

The **Introduction** argues the topicality and importance of the research theme, there are determined the purpose and objectives of the thesis, hypothesis and research methodology, it is described the scientific novelty and originality of the obtained results and justified the practical value of the thesis.

Outlined in the *first chapter* titled "**Theoretical foundations of accounting and auditing at public catering enterprises**" is the definition of "public catering enterprise", alongside with the criteria for classifying the enterprises in this field and the core features of their operation, including the most significant legislative norms governing their activities as well as the impact assessment of these factors on the organization of accounting records. Likewise discussed in the chapter are the pricing specifics based on the trade date or production methods.

According to the current legislation, any *catering enterprise* is a commercial unit and an open public place serving food, culinary and confectionery products and beverages, producing food stuff for consumption, providing customer services and entertainment/events activities to accompany such services so as to provide for their consumption mainly on the spot or combining such with the sale of cooked dishes and other consumer-related goods with the preparation of products on the spot or remotely [3].

Distinguished within the framework of the activity carried out by a public catering company affecting the specifics of accounting and auditing, could be the following five key aspects:

- diversity of types of enterprises;
- diversity of services rendered;
- diversity of legal norms governing this sector;
- peculiarities of economic activity carried out by such enterprises;
- conjoined combination of three types of activity – production, trade and service provision.

It is worth noting the last of the aforementioned aspects, since the availability and interrelation of the three types of activities serve to distinguish the catering enterprises from other economic sectors, including food industry enterprises that only produce the products, but do not sell the finished products to the public and do not deal with its consumption, and from retail enterprises that are dealing with the sale of products only [6, page 121].

The accounting records maintained by the catering establishments should mirror all these three functions mentioned above [22, page 100]. The complex nature of this task allows for

various options of evaluation of purchased goods (for sale) and raw material (for subsequent processing), as well as for using different approaches and principles of pricing and setting the cost of dishes and goods. By virtue of these circumstances, the accountants of catering establishments in the Republic of Moldova share different points of view in terms of accounting.

Thus, certain experts support the traditional production accounting method, which allows obtaining data on the actual costs in order to determine the cost of each type of product as well as the expected profit from sales.

Other professionals prefer keeping records in a similar to the manner of accounting used by trade enterprises, i.e. using trade date accounting. The main argument in favor of the second approach is that the business specificity at catering enterprises is similar in some areas to that of trade activity. The same argument is likewise supported by the effective national legislation, according to which the activities of public catering enterprises are deemed as commercial, rather than industrial and/or service rendering activities [3].

However, stipulated in the Methodological Guidelines on accounting of production costs and calculation of the cost of products and services is that the entities engaged in the production of products and/or the provision of services are required to keep the accounting of production costs and calculate the cost of products/services provided [9, para.6]. This means that the accounting should be done in accordance with the production method.

Hence, a conclusion could be drawn that accounting at catering establishments should be built on the fact that the finished products within as part of the catering services, are not sold as such; instead, services are provided for product consumption within specialized enterprises or outside of such, supplemented with certain recreation activities.

Hence, in the accounting maintained by catering establishments, it is admissible to apply either of the methods: production and/or trade date accounting.

It should be noted that the choice of the method does not practically affect the indicators of financial statements (primarily, the amount of expenses recognized during the current reporting period). This is explained by the specific nature of the activities conducted by catering enterprises, in which the timeframes of manufacture and sale of products, as a rule, coincide [12].

Special attention is also paid to the issue of pricing, which in the field of public catering is one of the most complex and important elements of doing business, since the correct pricing has a significant impact on the enterprise effectiveness and efficiency. In fact, the prices determine the structure of production, thus affecting at large the material flows, allocation of commodities

and the profit margin of an enterprise. Based on the provisions of the current legislation, catering prices are set based on free selling prices on finished products and goods [3, art.20].

According to the opinion shared by some authors, the procedure of setting retail prices at catering establishments is bearing on the specifics of the product, on its financial standing, the goals pursued, as well as on other factors. At the same time, various methods of price setting can be used, with the main ones being: the one based on the product prices set by competitors, the method based on the assessment of demand, as well as such based on the assessment of costs [20, page 159].

All of the above listed pricing methods should include data on the cost of finished products, obtained through calculation, as follows from the current legal framework: “prices for the items of own production, including gastronomic, culinary, confectionery and semi-finished products, shall be determined by calculation” [4].

The purpose of cost calculation for production is to create an information base for managing the organization's costs, calculate the cost of finished products by types, groups, and other characteristics, analyze the achievement of planned indicators, identify financial results from regular activities, and determine the effectiveness of organizational and technical measures for the development and improvement of production [14, page 180].

In public catering, calculation of the cost of production is done, as a rule, pursuant to raw materials cost accounting, which determines the need of setting the accounting prices for both raw materials and purchased goods. The accounting value of goods and raw materials entering the warehouse or storerooms of a catering establishment includes the purchase price and the costs of delivery. Calculation allows determining the extent of production profitability of a particular culinary product under certain economic conditions, the effectiveness of the existing system of organizing the production process, what the procedures need to be changed and how [22, page103].

The paper recommends calculating the product cost price and selling price according to the following formula (Fig. 1):

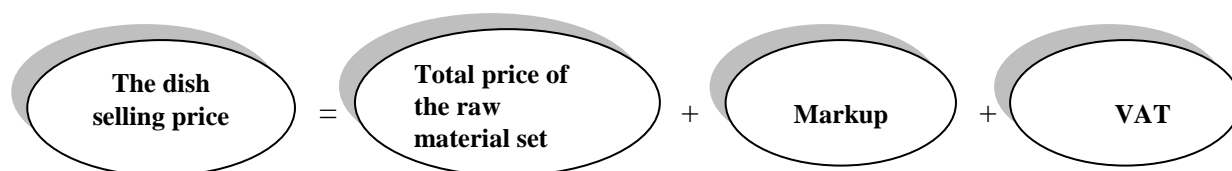


Fig. 1. Formation of the selling price of a dish
Source: developed by the Author

The formula shows that when setting the prices the catering enterprises rely on the raw material component and the margin rather than on the full cost. The margin includes a planned share of sales profit and covers other expenses borne by the enterprise (lease, labor cost, equipment wear, etc.). Such method could have been considered effective provided that all other expenses are constant. However, since some of the costs are variable, such as labor costs, utility costs, then it is more expedient to apply the following formula in calculating the sale price (Fig. 2):

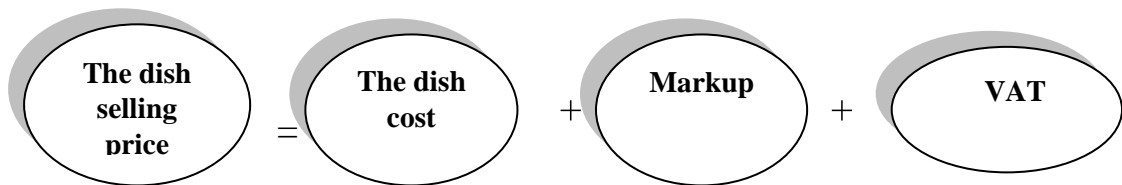


Fig. 2 Determining the selling price of a dish

Source: developed by the Author

When using this formula, it is necessary to take into account the share of profit in the trade margin and other fixed costs not related to production, and all manufacturing costs in the product cost. Therefore, it is recommended to supplement the calculation cards with two components, namely:

1) information concerning the cook's labor costs incurred with preparing a dish. Thereat, the basis for calculating the labor costs shall be the time spent on cooking and the tariff rate assigned to the cook;

2) the standard value of indirect production costs. That is an estimate of the average costs associated with production processes while not directly linked to the specific products or services. The standard value of indirect costs can be expressed as a percentage of the total production costs or in certain measurement units, such as monetary units per unit of production.

Such addendum would allow obtaining information concerning the dish overall cost. Moreover, in order to get even more accurate calculation of the main course cost, one should initially calculate the cost of the semi-finished products contained in it. Otherwise stated, in order to calculate the cost correctly, all the components of the future dish must be brought to their ready-to-use state (husked/unpeeled, boiled, etc.).

Figuratively speaking, the stages of cooking in the kitchen should match the stages mirrored in accounting. Therefore, make sure to start with calculation of the cost of semi-finished products, and then include the necessary share in the calculation of the finished dish cost.

In this chapter, specific aspects of accounting for low-cost and fast-wearing items (hereinafter referred to as LVI items) are also discussed, particularly in the context of launching enterprises in the catering industry, especially in cases where the organization employs the production cost calculation method. These aspects are associated with certain difficulties because calculating depreciation in accordance with the NAS "Inventory" at the initial stage of the enterprise's activity in the field of public catering can be challenging due to the following factors:

1. At the beginning of its operation, the enterprise may put a large quantity of LVI into use simultaneously.
2. The list of LVI in the field of public catering is very diverse, including furniture, tableware, household equipment, special clothing for staff, and other items, including those used in the production process.
3. When putting LVI into operation and applying the production cost calculation method, enterprises may overstate the share of indirect production expenses, which, in turn, increases the cost of dishes.

As a solution to this issue, it is proposed to allocate the expenses related to LVI items to the costs of future periods and write them off gradually, in proportion to the volume of produced goods. The depreciation method is determined by each enterprise individually and should be reflected in its accounting policies [24, page 86].

For the sake of clarity, considered were some examples of calculating the cost of various dishes and semi-finished products therein. Taken into consideration were the specific issues of calculating the cost of production by subdivisions, including the confectionery shop and the butcher's shop, as well as by separate operations within the subdivisions, for example, chopping up half carcasses into semi-finished products in the butcher's shop.

Outlined in the **second chapter "Methodological and practical aspects of accounting at public catering enterprises"** are the features of accounting for the circulation and loss of raw materials, goods and finished products. Specified was the methodology of accounting the proceeds and expenses incurred with the sales. Considered was the possibility of applying management accounting as a cost and expense reduction factor. Likewise, presented were the recommendations on the use of integrated reporting in public catering enterprises.

Established as a result of the research were the stages of accounting reflecting the stock circulation and stock losses (Table 1).

Table 1. Stages and features of the circulation of raw materials and goods at public catering enterprises.

I. Receipt of raw materials and goods	•A large number of suppliers, depending on the variety of supplied raw materials and the frequency of their delivery.
II. Circulation of products from storages to production areas or intended for sale	•Transfer of raw materials and goods from the storage to production, taking into account the demand and the needs. Peculiarities of organizing the storage site for the goods – «storage», «kitchen» and the circulation between them. Quality control of raw materials and semi-finished products.
III. Production of public catering goods	•Providing the variety of dishes included in the Menue with the relevant technology documentation. Compliance with the conditions and shelf-terms for semi-finished products to cook dishes.
IV. Sales of products, taking into account the organization of consumption	•Rendering concurrent services of producing and selling products at public catering enterprises and/or outside them. Forming the order by taking account of customers' preferences, the possibility to influence their choice, using «sales techniques».

Source: developed by the Author

From the perspective of accounting, each of the stages has its own features and complexities bound to:

- procedure of identification and evaluation of goods;
- steps in conducting an inventory and mirroring its results in the accounting;
- procedure of writing-off some stocks.

Thus, for example, at the first stage, since the same type of stock can be attributed to both goods and raw materials, there arises a question of evaluation and identification. Therefore, it is proposed to keep record on the stock on a certain account, depending on the purpose of the goods received. Hence, if the goods are meant to be used as raw material, then such should be attributed to account 211 "Materials"; provided the stock items are intended for resale only, then such should be accounted for as goods - on the account 217 "Goods".

With regard to the inventory procedure, it should be noted that the primary purpose of stocktaking at public catering enterprises is to identify points in the process of goods circulation whereby identified was the stock loss. In addition, it is necessary to identify the reasons inflicting stock shortages, the main being as follows:

1. Theft of goods.
2. Incorrect entries made during the receipt of goods or during the circulation of raw materials.

3. Errors and inaccuracies in the bookmarks of technical and technology cards (for example, incorrectly determined percentages of possible losses of goods during their culinary processing, insufficient level of training of employees).
4. Improper processing of raw materials.
5. Duplication of goods in the nomenclature directory of the enterprise.
6. Missing write-off of products used for on-service meals, spoiled or expired products, etc.

All these factors can lead to shortages and unaccounted-for losses in production. Considered as acceptable are such cases when the stocktaking results differ from the documentary totals within the range of 3-5%.

Likewise, identified during the stocktaking shall be the losses, both standard and non-standard.

Standard losses occur as a result of spoilage of goods – a decrease in the weight or volume of goods due to changes in their physical and chemical properties. Non-standard losses result from breakage, fall off and damage of goods, as well as shortages, embezzlement, theft, and natural calamities.

Losses are accounted for by types and reasons of formation, separately by each subdivision and across the enterprise as a whole, as well as by the persons responsible for the occurrence of losses.

In accordance with the accounting policies, the production losses can be mirrored on accounts 811 «Core activity», 812 «Supporting activity», 215 «Unfinished production» and 714 « Other operating expenses» or on a separate management account, for example, on account 828 "Production losses" [13].

The spoilage rates applied when storing goods in warehouses of public catering organizations are differentiated by product groups, climatic zones and depend on the assigned shelf life. The size of the spoilage rate is determined for each type of goods separately in accordance with the actual shelf life. When calculating the loss for some types of goods (fish, meat), it is necessary to take into account the storage temperature requirements, as well as the packaging conditions [13, page 77].

The comparison of spoilage amounts at public catering enterprises with the like indicators of other industries, for example, commercial enterprises, shows that such are by an order of magnitude higher. This is due to the specifics of the activity and production technology (for example, defrosting of imported seafood).

The current situation shows the expedient need in developing and implementing innovative management methods, which would allow achieving maximum efficiency in the operation of public catering enterprises.

As an option, it is possible to consider creation of special provisions for setting up compensation amounts – "Provisions to cover losses in case of raw materials spoilage". The principle of setting up this provision implies monthly deductions, the amount of which is determined depending on the risk of losses. At low risk rates, deductions can range from 2 to 5% (3% can be used for potatoes), at high risks – up to 10% (for example, 10% can be used for frozen fish). The calculation shall be made when purchasing raw materials for each stocked up item or group of items, depending on the magnitude of the risk of losses.

The formation of provisions implies making a number of changes in the accounting methodology of economic activity carried out by public catering enterprises. Thus, it is advisable to include account 538 «Current valuation reserves» with a separate sub 5384 "Provisions to cover the losses due to spoilage of raw materials" in the current Chart of Accounts. The analytical accounting tracking this account is legitimate for reasons of deviations. In calculation estimates and budgeting, this provision must be taken into account as a separate cost item.

The proposed correspondence of accounts for the operations on creation and use of provisions to cover spoilage rates is mirrored in table 2.

Table 2. The proposed correspondence of accounts to keep records on provisions for raw material spoilage.

Business Transaction Content	Correspondence of Accounts	
	Debit	Credit
1. Setting an estimated provision for spoilage.	714 «Other operating expenses»	538 «Current valuation reserves»
2. Identified as a result of stocktaking was the shortage of raw materials.	714 «Other operating expenses»	211 «Materials»
3. The stock shortage within the legally approved value of spoilage rates shall be attributed to general production costs.	811 «Core activity»	714 «Other operating expenses»
4. The cost of spoilage in excess of the established rates has been written-off at the expense of previously created provisions.	538 «Current valuation reserves»	714 «Other operating expenses»

Source: developed by the Author

Likewise, considered in the second chapter was yet another specific feature of circulation of goods that affects the results of stocktaking, namely the incorrect accounting of the costs associated with the write-off of individual stocks, such as: fryers and spices, raw materials for "compliments" from the chef and such used for creation of new dishes.

To solve this issue, as part of the accounting strategy pursued by a catering company, it is necessary to establish certain standards and periodicity of stock write-off for each of the aforementioned expendable items. The paper suggests making monthly write-offs of inventory, as is done for other indirect costs. The limits of standard norms can be determined by the following model:

- write-off of raw materials for the creation of new dishes – depending on the total receipts collected by the enterprise;
- write-off of raw materials used for "compliments" from the chef – as per the total amount of the order;
- fryer write-off, arising from the receipts from selling the dishes based on fryer use.

It is advisable to take these costs into account as part of the indirect production costs while providing for the following accounting record: Debit account 821 «Indirect production costs» and Credit account 211 «Materials».

Also considered in the second chapter was the specificity of managerial accounting at public catering enterprises, such as: a non-standard approach to calculating the cost. In this case, a "truncated" cost calculation method is used, which includes the direct material costs only, excluding indirect production costs, wages paid to the employees of the main production line and social contributions. These costs shall be assigned to commercial costs – account 712 "Sales costs", or reflecting on account 821 "Indirect production costs" as a total cost, without splitting by each type of product.

This accounting method is rather easy to use, since it allows determining production cost based on calculation cards for each product. However, this approach provides accurate information only about the costs of materials and other production components while it does not provide full information about the actual cost of dishes. Even in case of splitting up the indirect production costs to all dishes, the total cost is calculated incorrectly, since it is determined for all dishes as a whole rather than for each separately.

Setting an incomplete cost at public catering enterprises occurs because indirect production costs (including wages paid to kitchen workers and contributions) are difficult to allocate among different types and batches of products, since it is impossible to say definitely which type of products these belong to.

Practical experience corroborates that the main motivation for using the "truncated" method of calculating the cost of production lies with the lack of data on accurate allocation of indirect production costs, as well as the limitations of computer software that do not have the

means to calculate indirect production costs (these are rather often used by business operators for the sake of savings). Accordingly, the most effective way to solve this problem is to purchase more advanced software that allows making such calculations, more so that the cost of such software is relatively low today.

Besides, the enterprises should determine the basis for the allocation of indirect production costs. For example, used as a basis for kitchen and bar could be material (raw) costs, since they make up the bulk cost of a dish. At the same time, in a confectionery shop, used as a basis for allocation can be the salary of a pastry chef, since it has the major impact on the final cost of confectioneries. The paper provides for a methodology of accounting for proceeds and expenses related to marketing of products and goods.

Observations, conclusions and recommendations on the practice and prospects of using integrated reporting are also presented, having also considered the general aspects and main advantages of its use at public catering enterprises in the Republic of Moldova.

Integrated reporting provides for an opportunity to obtain important non-financial data, including on such aspects of company's activities as:

- level of environmental friendliness of food products;
- efficiency of disposal of wastes generated by food production;
- efficiency (rationale) of consumption of food raw materials to prepare semi-finished and ready-made products.

The integrated reporting main purpose is to show cost creation by the enterprise for a certain timeframe based on the analysis of a wide range of both financial (which is typical for traditional types of reporting) and non-financial indicators of company's activity [23, page 42].

Provided as part of integrated reporting are data concerning the enterprise resources and the interrelation of such. Thus, the reporting gives an answer to the specific manner in which the enterprise interacts with the external environment and financial assets and creates the cost. This provides a more transparent view of the company's available resources. All potential users of reporting information are interested in such data – creditors, investors, sellers and buyers, controlling agencies, etc.

Integrated reporting is the final stage of the accounting cycle. The integrated reporting is deemed as a stock of reliable information and indicators grouped up in accordance with the established procedure and sequence concerning the activities conducted by a business operator, a group of interrelated organizations during a certain period of time [16, page 45].

The integrated reporting maintained by public catering enterprises could perform a number of important functions, such as:

- informational – provides for mirroring in the integrated reporting of indicators covering all organization activities: turnover, profit, manning, etc.;
- analytical – confined to carrying out evaluation and analysis of all types of activities conducted by a business operator: profitability, labor productivity, environmental friendliness of production, etc.;
- controlling – allows to control the assets, the circulation of material, labor and financial resources, and to assess the material-technical infrastructure.

It should be noted that the integrated reporting maintained by the entity should contain the most up-to-date information, as well as such that will allow assessing the company financial stability. The amount of reporting depends on the specifics of company's activities and on the choice of information to be disclosed [2, page 128]. Based on the international standard "Integrated Reporting", it is recommended to include in the integrated report the following elements: an overview of the organization and the external environment, management, business model, risks and opportunities, strategy and resource allocation, performance results, and future prospects [8, page 26].

The integrated reporting is a promising type of reporting that, as compared to the financial and management reports, allows providing a set of comprehensive information about the company's activities, taking into account not only economic, but also environmental, social, and political factors that are gaining importance nowadays.

Implementation of this type of reporting is recommended for large-scale entities in any domain of activity, including catering – chains of restaurants, cafes, snack bars.

Among the potential benefits that an entity can get from switching to integrated reporting is worth mentioning such as capital mobilization, improving corporate reputation and competitiveness.

Discussed in **the third chapter, "Improving audit at public catering enterprises,"** are the issues of audit planning, accounting for audit risks, collecting audit evidence and applying analytical procedures. Practical recommendations are given to overcome a number of pressing audit issues specific for public catering enterprises, especially such as audit of stocks, costs and monetary transactions.

Audit planning takes a special place in carrying out an audit at catering establishments, since it affects the quality of the results of the conducted audit engagement and its effectiveness.

Planning is aimed at ensuring that the audit is carried out competently and in a timely manner. When planning an audit, special attention should be paid to the assessment of the company's internal control system, since a reliable and effective internal control system minimizes the control risk. A low control risk also indicates a low audit risk. If, during the audit, the auditor is convinced that the internal control system is reliable and effective, then this may be a reason for curtailing the audit procedures (the audit will be conducted in a consolidated manner or selectively).

In the process of assessing the internal control reliability at a catering company, the auditor should take into account the following:

- checking documentation of the catering company and the means of control for the entire reporting period, rather than picking up certain selected periods;
- as part of the procedure, it is necessary to pay more attention to the time intervals of the reporting period, activities marked by specific features or differences as compared to routine activities for the entire period in general;
- assessment of the reliability of an internal control system as a whole and of individual controls as "low" does not allow for a higher assessment of the reliability of other separate means of control.

Understanding of the internal control system shall be documented using the following three methods: descriptive report, flowchart of documents and a questionnaire on the internal control. All of these methods can be used separately or combined [1, page 283].

As a rule, the choice is made in favor of the questionnaire on internal control, since it has an advantage of rendering a comprehensive coverage of all audit areas, thus, serving as a perfect work tool. Moreover, usually, the questionnaire can be prepared fairly fast – at the onset of the order. The main disadvantage of the questionnaire is that studied are the individual elements of the client's accounting system without a chance to get an overall understanding of the system [1, page 284]. The audit risk assessment is equally important when carrying out audit at public catering enterprises.

Audit risk is a subjectively determined level of risk that the auditor is willing to take on. In case when an auditor has taken on a lower level of risk, it means that the idea behind this is to get a stronger confidence that the financial statements are free of errors or omissions.

The overall audit risk can be expressed by the following ratio: $0 < A < 1$.

The audit risk can be calculated using the following formula:

$$AR = IR \times RC \times DR \quad (1)$$

where: **IR** – inherent risk, **RC** – control risk, **DR** – risk of non-detection.

However, V. Krasnov and his co-authors consider this model to be not quite accurate: since the values on the right side of the equation are numbers less than 1, then according to the rules applicable to such values, AR will be less than each of the values IR, CR or DR, which is devoid of logical meaning [5].

Therefore, a model for audit risk calculation is proposed, which excludes the factor multicollinearity of a standard model [21, page 157]:

$$AR = (IR + CR) \times DR \quad (2)$$

Indeed, the result of the calculation according to this formula shows the influence of all components and, at the same time, it will not be more than 1 at any values of these components, and also will not be less than each of these components.

When planning an audit at a catering enterprise, assessed shall be the level of materiality of information, determining to what extent its absence or distortion may affect the economic decisions made by the users based on financial statements [10, para. 2].

In the world's practice, the most well-known are *the inductive* and *deductive* approaches to determining the level of materiality. The preference is given to the deductive approach, since in case of applying such, the amount of materiality estimates per individual items does not exceed the permissible amount allowed overall for the financial statements.

In practice, there is an inverse relationship between the materiality and the audit risk, that is, the higher the level of materiality, the lower the audit risk (Fig. 3). This relationship should be taken into account when determining the nature, timing and scope of audit procedures. If, during the audit, the auditor determines that the acceptable level of materiality is underestimated, then the audit risk increases, and the auditor should, if possible, reduce the risk of control by additional testing of the internal control system or reduce the risk of non-detection by changing the nature, timing and scope of planned procedures.

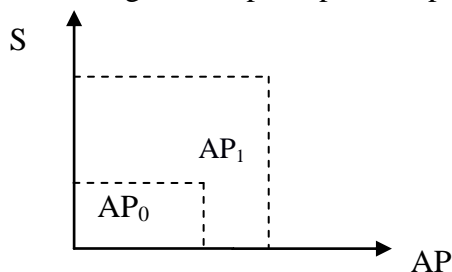


Fig. 3. Dependence of audit risk (AR) on the materiality of the identified misstatements of financial statements (S)

Source: developed by the Author

All information collected and processed by the auditor in the course of financial control and audit is called audit evidence. Its reliability, quality and timeliness determine the main task of the audit – providing the auditor with an opportunity to express an opinion on the reliability and truthfulness of financial statements, on organization financial position and its performance indicators, as well as to conclude that the information mirrored in the financial statements does not contain material misstatement and complies with the fundamentals and principles of its compilation.

Audit evidence covers the analysis results alongside with the information obtained by the auditor during the audit. When collecting audit evidence at catering establishments, one should be guided not only by the international standards on auditing, but also take into account the enterprise specifics [18, page 189].

Audit evidence at catering establishments is obtained as a result of making control tests and carrying out substantive procedures [15].

Control tests are the ones aimed at assessing the effectiveness of accounting and internal control systems. They include:

- verification of documents confirming transactions and other events in order to obtain audit evidence on proper application of internal control means in practice. For example, whether an inventory of raw materials and goods is carried out, and whether the results are supported by making out the appropriate documents;
- filing requests and monitoring the use of internal control means that are not documented. For example, drawing up write-off certificates on raw materials and goods that have fallen into disrepair/perished;
- repeated use of the internal control means. For example, reconciliation of the actual bookmark of raw materials (products) with the data of the technical and technology card when cooking dishes.

Substantive procedures are carried out with the view of detecting material misstatements admitted in financial statements. There are two types of verification procedures:

1. Detailed tests of transactions and account balances, which include: inspection, observation, request and confirmation, and count.
2. Analytical procedures, which involve the analysis and evaluation of information obtained by the auditor, are an essential of the audit process. They are used both in the planning of audit and at various stages of the audit [19, page 91].

Analytical procedures can be carried out by various methods of economic and financial analysis, the choice of which depends on the goal pursued. In the process of auditing there is no agreed upon methodology to measure the effectiveness of the organization's activities and therefore, the auditor independently determines indicators and coefficients, methods of analysis, based on the availability of information and the activity peculiarities.

The analysis can be carried out by applying the following methods: comparative method, method of building systems of analytical indicators and tables, method of chained imputations and integral method, appraisal method, balance method, average method, group method, situational analysis and forecasting method, correlation and regressive analysis, etc. [17].

In order to ensure its efficient use, primarily, to ensure consistency and reduce labor intensity, it is recommended to enlarge the scope of analytical procedures, for instance, in express-analysis.

Any analyst, based on his/her experience, qualification, company specifics, can use his/her own set of analytical procedures and system of indicators. Upon the completion of an audit engagement, the auditor prepares his/her professional opinion. In our view, the auditor's opinion is the key element of this process.

The audit opinion is the audit outcome, but not its goal. The latter is to check the financial statements and assess their reliability. For the users of financial statements, especially for the stakeholders, it is important that the audit opinion comprises, along the standard wording, as much useful information as possible relating to the issues the audit subject is facing.

Depending on the conclusions drawn on the basis of considering the audit evidence collected during the audit, the auditor can express one of the following opinions: unqualified and qualified.

A qualified opinion can be: opinion with reservations, adverse/negative opinion, disclaimer/refusal to give an opinion.

An auditor can express a qualified opinion while auditing public catering enterprises in case of:

- distorted data included in financial statements (inadvisability of the applied policy, material errors committed in the statements, erroneous use of accounting policy);
- insufficient evidence (prohibition to participate in the inventory, prohibition to get confirmations from third parties);
- confiding the auditor's work (destruction of accounting documents), which leads to getting insufficient audit evidence.

When expressing an opinion with reservations at public catering enterprises, the Author recommends the auditor to include in his/her audit report relevant explanations and proofs endorsing such an opinion, namely: include clear measurability of their possible impact on financial (accounting) reports in a separate part. It is possible to include a reference to more detailed information (if any) in the Explanatory Note to financial (accounting) reports.

The auditor must express an adverse opinion, if following the receipt of evidence during the audit he/she comes to the conclusion that the misstatements, either separately or collectively, are significant and material for the financial statement [8, para.8].

The reasons behind expressing an adverse opinion could be various. For example, it could be related to incorrect accounting of expenses and proceeds, insufficient documentation concerning the sales and purchase of products, incorrect write-off of raw materials or insufficient scrutiny over financial processes.

The expression of an adverse opinion is even more important than the disclaimer as the auditor must indicate the grounds, justifying it.

The auditor must state he/she is not able to issue an opinion when he/she is confide in the audit scope and is not able to get sufficient and reliable evidence, enabling him/her to express an opinion concerning the client's financial statements. In such situation, the auditor cannot corroborate the reliability and accuracy of the submitted statements; therefore, he/she is not able to express a final opinion concerning their compliance with the accounting or audit standards [11, para.9].

Particular emphasis should be placed on the paragraph "audit key issues" in the audit opinion as it answers the questions, which, according to the auditor's professional judgment, were paramount for auditing the financial statements for the current period. The issues are selected from a list of issues communicated to people accountable for sound management.

Certain requirements are imposed on the description of each issue. The description must comprise:

1) a reference to relevant information disclosed in the financial statement, i.e. the management of the subject of audit must disclose such information in the statements;

2) a justification of the importance of such issue for the audit and why it is stated as a key issue;

3) a description how such issue was given adequate consideration during the audit, and what method was used during the audit, including the list and content of auditing procedures [15, page 21].

If the auditor expressed a qualified opinion, then proper consideration should be given to the paragraph «Reasons for expressing the opinion». It covers the explanation of reasons which prevented the auditor to confirm unconditionally the reliability of financial statements.

The audit opinion is the most important component of the audit report. Any expressed opinion entails a certain risk. In case of expressing a qualified opinion, the Author recommends that the auditor makes references to all aspects endorsing it, and includes clear and substantiated explanations in order to avoid any confusion for the users of such statements. The audit engagement shall end with a financial and economic analysis of the subject of audit, and the outcomes of such analysis shall be attached to Conclusions and Recommendations related to the audit report.

CONCLUSIONS AND RECOMMENDATIONS

The research conducted in the area of accounting and auditing at public catering enterprises enabled the Author to draw the following conclusions:

1. The public catering enterprises scope of work covers three core activities: production – i.e. cooking dishes; trade – i.e. selling the dishes; and rendering services – i.e. hosting leisure and recreation events) and, therefore, implies multiple approaches in terms of accounting. The public catering enterprises in Moldova use both trade date accounting and production accounting, each of them having its own advantages and deficiencies.
2. Nowadays, one of the accounting peculiarities at public catering enterprises is the calculation method (of the cost of products and goods), according to which the cost of a dish comprises the raw material component only (based on the compilation of recipes and/or technical-technology cards) and does not include other costs.
3. When storing and selling the goods at public catering enterprises losses are quite frequent. This is due to the specificity of activity and production technology (for instance, defrosting the imported seafood).
4. As a rule, the amount spent to buy raw materials is the major part of the dish cost (circa 30%). In the same vein, it is very important to track the circulation of raw materials since its receipt and till the sale of products prepared from those raw materials by means of regular inventories.
5. Audits conducted at public catering enterprises do not comply in full with the requirements of accounting. Most public catering enterprises keep records by sections (by types of assets and liabilities), and this increases the workload of auditors, failing to depict clear data for accounting.
6. The audit procedures and financial evidence used at public catering enterprises do not mirror the peculiarities of those enterprises, and this lowers the efficiency of audit results.

In light of the aforementioned conclusions, the Author considers as reasonable the following **recommendations**:

1. Public catering enterprises can use both production and trade date accounting methods; at the same time the production method is more preferable for large public catering enterprises (as it is more accurate), while the trade date method (as less labor-intensive) is more preferable for the rest of them.

2. In order to properly calculate the product costs the Author recommends revising the specific method of cost calculation for finished goods and include all indirect input costs into the production costs.
3. The Author suggests revising the losses incurred within the established norms, which size is approved in the enterprise accounting policy. At present, these norms are set either based on inventory results of previous years or based on actual data (because losses exceeding the established norms are considered as non-deductible expenses, it would be necessary to recover VAT for such write-offs). According to the Author's view, such norms shall be independent and approved by the legislation (like, for instance, it has been done in Romania) because none of them provide for accurate data on losses.
4. It is reasonable for public catering enterprises to use managerial accounting. A smartly introduced system of managerial accounting would enable the resolution of multiple problems, for instance: forecast the organization proceeds and expenses; determine the possibilities for cutting the production costs; ensure proper and timely response to external economic processes; carry out production operational planning, flexible pricing; create a system of managerial reports; handle the system of data collection, processing and analysis; insert corrections into the enterprise technical-technology and calculation documentation in a timely manner; adopt substantiated managerial strategic and operational decisions.
5. Implement integral reporting at large public catering enterprises, which would allow getting a more comprehensive picture of the enterprise, including its future development, taking into account a range of contemporary factors (environmental, political, and social). Thanks to such reporting, large public catering enterprises would gain competitive advantages, including the improvement of business reputation, increase its value at the stock exchange as well as its brand value, and ensure capital inflows.
6. While conducting audits at public catering enterprises particular attention shall be paid to checking the correctness of prices set for their own production, as well as the prices of goods purchased from other producers, the accuracy of documenting the availability and circulation of stocks at the storage and accounting of stocks in production.
7. In order to increase the audit quality carried out at public catering enterprises, the Author recommends setting the risk level in the amount of 5% of sales revenues, which would allow reducing the auditor's workload and detecting material errors.

8. While collecting audit evidence close attention must be paid to stocks. It would be reasonable to carry out their inventory first. To do that it would be required to cross-check the data with the suppliers of raw materials and with the customers it delivers the finished goods to. The obtained data is one of the most reliable audit evidence.

Future research trends: The development of public catering calls for continuous research of accounting and audit issues. Against this background, the research can be continued in the following key directions:

1. In-depth consideration of crisis consequences associated with pandemic and war conflicts and their impact on the activity of public catering enterprises.
2. Analysis of information needs of different categories of public catering enterprises in the globalised economy.
3. Research of accounting peculiarities of long-term intangible and tangible assets, financial investments and other accounting elements not covered by the research subject-matter of this thesis.
4. Additional research of issues associated with cost calculation of production manufactured by public catering enterprises within the entities that carry out other types of activity (for instance, healthcare facilities, etc.).
5. Setting better guidance for auditing the financial statements of public catering enterprises, as well as for the use of audit results, depending on the types and specificity of the aforementioned enterprises.

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ADNOTARE

Horozova Valentina, „Probleme ale contabilității și auditului în unitățile de alimentație publică”, teză de doctor în științe economice, Chișinău, 2023

Structura tezei: introducere, trei capitole, concluzii și recomandări, bibliografia 151 titluri, 11 anexe, 142 pagini text de baza, 19 figuri și 37 tabele. Rezultatele studiului sunt publicate în 7 lucrări științifice.

Cuvinte cheie: contabilitate, audit, alimentație publică, contabilitate de gestiune, bugetare, raportare integrată, venituri, cheltuieli, planificarea auditului, proceduri analitice, finalizarea auditului.

Domeniul de studiu: contabilitate; audit.

Scopul tezei constă în cercetarea și analizarea complexă a aspectelor teoretice și practice ale contabilității și auditului aplicate la unitățile de alimentație publică, în scopul îmbunătățirii acestora în conformitate cu standardele internaționale.

Obiectivele cercetării: cercetarea și identificarea problemelor legate de contabilitatea financiară de gestiune, planificarea auditului, colectarea probelor și finalizarea auditului la unitățile de alimentație publică.

Noutatea și originalitatea științifică constă în aprofundarea și dezvoltarea teoretică a conceptului de întreprindere de alimentație publică; perfecționarea contabilității și dezvoltarea metodologiei contabilității la unitățile de alimentație publică; elaborarea unor noi forme de documente contabile și justificarea aplicării lor; cercetarea etapelor auditului pentru unitățile de alimentație publică și perfecționarea acestuia.

Rezultatele științifice, care contribuie la rezolvarea unei probleme științifice importante, constau în identificarea unor direcții de perfecționare a contabilității stocurilor în alegerea metodei contabile, a ordinii de stabilire a prețurilor. Se acordă atenție problemelor legate de pierderile care apar în procesul de producție la unitățile de alimentație publică. Oferă posibilitatea de a utiliza noi forme de raportare - raportarea integrată. De asemenea, studiul reflectă soluții la problemele legate de colectarea probelor de audit și justificarea utilizării rezultatelor auditului în domeniul alimentației publice.

Semnificația teoretică și practică rezultă din concluziile și recomandările privind tema studiată, care vor contribui la îmbunătățirea contabilității și auditului la unitățile de alimentație publică.

Implementarea rezultatelor științifice. Unele recomandări formulate în lucrare au fost implementate la unitățile de alimentație publică din RM și pot fi utilizate în instituțiile de învățământ de profil economic și la cursurile de reciclare a cadrelor contabile.

ANNOTATION

**Horozova Valentina "Problems of accounting and auditing in public catering enterprises"
PhD thesis in economic sciences, Chisinau, 2023**

Structure of the dissertation: abstract, introduction, three chapters, conclusions and recommendations, bibliography of 151 titles, 14 appendices, 143 pages of main text, 20 figures and 37 tables. The results of the study were published in 7 scientific articles.

Key words: accounting, audit, public catering, management accounting, budgeting, integrated reporting, income, expenses, audit planning, analytical procedures, completion of the audit.

Field of study: accounting; audit.

Purpose of work: consists in a comprehensive study and consideration of theoretical and practical aspects of accounting and auditing used in public catering enterprises, in order to improve them in accordance with international standards.

Research objectives: research and identification of problems associated with accounting and management accounting, with the planning of the audit, evidence collection and completion of the audit at catering enterprises.

Scientific novelty and originality consists in deepening and theoretical development of the concept of public catering enterprises; improvement of accounting and development of the methodology of accounting at public catering enterprises; development of new forms of documents and justification of their application; research of stages of audit for public catering enterprises and its improvement.

The results obtained, contributing to the solution of an important scientific problem is that the directions of improvement of accounting proposed by the PhD Student allow providing analytical, timely and reliable information formation, in particular the choice of accounting method, the order of price formation. Attention is focused on the problems on losses arising in the production process at catering enterprises. Possibilities of application of new forms of reporting - integrated reporting are offered. The study also reflects and solutions to the problems of collecting audit evidence and the rationale for the use of audit results in the field of public catering.

Theoretical and practical significance stems from the conclusions and recommendations on the topic under study, which will contribute to the improvement of accounting and auditing in catering enterprises.

Implementation of scientific results: some recommendations formulated in the work were adopted for implementation at the studied enterprises and can be used in the educational process of educational institutions and advanced training courses of economic profile.

АННОТАЦИЯ

Хорозова Валентина, «Проблемы бухгалтерского учета и аудита на предприятиях общественного питания», диссертация кандидата экономических наук, Кишинев, 2023

Структура диссертации: аннотация, введение, три главы, выводы и рекомендации, библиография из 151 наименований, 14 приложений, 143 страниц основного текста, 20 рисунков, 37 таблиц. Результаты исследования были опубликованы в 7 научных статьях.

Ключевые слова: бухгалтерский учет, аудит, общественное питание, управленческий учет, бюджетирование, интегрированная отчетность, доходы, расходы, планирование аудита, аналитические процедуры, завершение аудита.

Область исследования: бухгалтерский учет; аудит.

Цель работы: комплексное исследование и рассмотрение теоретических и практических аспектов бухгалтерского учета и аудита, применяемых на предприятиях общественного питания, с целью их совершенствования в соответствии с международными стандартами.

Задачи исследования: исследование и выявление проблем, связанных с бухгалтерским и управленческим учетами, с планированием аудита, сбором доказательств и завершением аудита на предприятиях общественного питания.

Научная новизна и оригинальность состоит в углублении и теоретическом развитии понятия «предприятие общественного питания», в совершенствовании учета и развитии методологии бухгалтерского учета на предприятиях данной сферы; разработка новых форм документов и обоснование их применения; исследование этапов аудита для предприятий общественного питания и его совершенствование.

Полученные результаты, способствующие решению важной научной проблемы, заключается в том, что предложенные диссертантом направления совершенствования учета позволяют обеспечить аналитичность, своевременность и достоверность формирования информации, в частности выбора метода учета, порядка формирования цен. Акцентируется внимание на проблемы по убыли, возникающей при производственном процессе на предприятиях. Предложена возможность применения новых форм отчетности – интегрированная отчетность. Также в исследовании отражены варианты решения проблем сбора аудиторских доказательств и обоснование направлений использования результатов аудита в сфере общественного питания.

Теоретическая и практическая значимость вытекает из выводов и рекомендаций по изучаемой теме, что будет способствовать совершенствованию учета и аудита на предприятиях общественного питания.

Внедрение научных результатов: некоторые рекомендации, сформулированные в работе, были приняты для внедрения в практику на исследуемых предприятиях и могут быть использованы в учебном процессе учебных заведений и курсов повышения квалификации экономического профиля.

HOROZOVA VALENTINA

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