

Research on the Application of Risk-Oriented Audit in the Inventory Audit of Liquor Enterprises —— Take A Liquor Enterprise as an Example

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ABSTRACT

As a representative industry of China's national culture, the liquor industry has a huge industrial chain and a high degree of industrial relevance, and occupies an important position in China's economic market. Because the inventory of liquor enterprises is closely related to its operating results, coupled with the complexity of liquor inventory and the easy manipulation of value, it is easy to have problems in the evaluation and supervision session, leading to the increase of inventory audit risk. How to efficiently assess the risk and professional judgment of the inventory value of liquor enterprises, and formulate appropriate measures, so as to reduce the inventory audit risk of liquor enterprises, is the focus of auditors. Starting from the idea of risk-oriented audit, A liquor enterprise as an example to analyze the risks in the inventory of liquor enterprises, and put forward some ideas and strategies to improve the inventory audit of liquor enterprises.

KEYWORDS

Risk-oriented audit; Inventory risk; Liquor enterprise; Liquor inventory; Preventive measures

1. INTRODUCTION

1.1. Background

In recent years, financial fraud cases occur frequently, including Zhangzidao scallop "running away", Guangzhou Longqi washing powder disappeared, and Oriental Jinyu staged "crazy stone", etc. When analyzing these shocking financial fraud cases, we can find that the fraud means in the cases are closely related to its inventory. In 2020, Gansu Securities Regulatory Commission pointed out that the 2016 annual report of Taihuang Liquor falsely recorded the book balance of inventory goods of 86.2988 million yuan. The abnormal alcohol inventory event sounded the alarm for the inventory audit of liquor enterprises and attracted the attention of the public. The inventory of liquor enterprises is mostly finished liquor and raw material crops, etc. Their value is easily affected by the local ecological environment and natural environment, and there is a risk of impairment in the event of disasters. In addition, this kind of assets is different from the inventory of other manufacturing enterprises. The inventory of liquor enterprises has the characteristics of long turnover time, complicated types, complicated cost calculation and high value. These characteristics not only increase the difficulty of inventory audit, but also provide the motivation for financial fraud of enterprises.

Modern risk-oriented audit can help enterprises to identify and evaluate key risks, and provide risk control and governance advice, which can increase the reliability of audit results. As a key mechanism

to ensure the authenticity and reliability of financial information, enterprise audit plays a vital role in ensuring the healthy development of China's market, protecting the rights and interests of investors and maintaining the stability of economic order. At present, due to the particularity of the liquor industry, the modern risk-oriented liquor inventory assets audit research is insufficient. Auditors want to better identify and prevent liquor enterprise inventory audit risk, improve the quality of the audit report, we must understand risk oriented audit ideas, and its implementation in the audit process, auditors should also focus on potential risks, so as to better cope with risk, in order to improve the efficiency and accuracy of the audit.

1.2. Research Significance

Although the modern risk oriented audit theory has been widely used in the audit process of all walks of life, but due to the particularity of liquor industry, lead to its significant misstatement risk is higher, and the modern risk oriented theory and the combination of liquor enterprise research is relatively less, this may lead to auditors also unable to accurately identify liquor enterprise financial fraud, so that the expected users to reduce the trust of the audit report. By using the idea of modern risk-oriented audit, this paper takes A liquor enterprises as an example to analyze the risk of their inventory assets, and puts forward the ideas and strategies of improving the inventory audit of liquor enterprises, so as to contribute to the healthy and stable development of the liquor industry, and also contribute to improving the audit quality.

1.3. Literature Review

Through combing the relevant literature at home and abroad, it can be concluded that the research on the modern risk-oriented audit theory system has been relatively perfect and mature, but there are still relatively few studies combining it with the inventory audit of liquor enterprises. Scholars at home and abroad generally agree that risk-oriented audit plays a positive role in the improvement of audit quality. They believe that when auditing liquor enterprises, they should not only pay attention to the financial data of enterprises, but also consider the strategic risks and operating conditions of enterprises, and comprehensively consider various factors affecting the risk of major misstatement of enterprises. Some domestic scholars believe that the particularity of the inventory assets of liquor enterprises may lead to the control of auditors. Therefore, auditors should reduce the inspection risk as far as possible and control the audit risk within a reasonable range. To sum up, this paper will use the idea of risk-oriented audit to analyze the risk of inventory assets of liquor enterprises.

2. THE RELEVANT THEORIES AND CONCEPTS OF MODERN RISK-ORIENTED AUDIT

2.1. Relevant Concepts of Modern Risk-Oriented Audit

2.1.1. Definition of a modern risk-oriented audit

Modern risk-oriented audit is to start with the strategic analysis of enterprises and determine the nature, time arrangement and scope of substantive procedures through the strategic analysis of the residual risk analysis of financial statements. Modern risk oriented audit will strategic view and system view as the guiding ideology in the audit process, in the traditional risk oriented audit audit risk model improved, the traditional audit risk model: $\text{audit risk} = \text{inherent risk control risk risk}$, and optimize the modern risk oriented audit model: $\text{audit risk} = \text{check risk major misstatement risk}$.

In the process of audit, auditors can use modern oriented audit risk theory, considering the strategic risk and operating auditees, the comprehensive analysis of the macro environment, industry environment, strategic objectives and the business information, identify and evaluate financial statements level and level of major misstatement risk, and make the audit resource allocation more

reasonable, the implementation of audit procedures more targeted, will check the risk control within the acceptable range, in order to improve the quality of the audit report, enhance the trust of financial statements of the financial statements.

2.2. Characteristics of Modern Risk-Oriented Audit

2.2.1. The focus of audit work has shifted

The traditional risk-oriented audit is different from the modern risk-oriented audit. The former focuses on the collection and inspection of the financial statement information of the audited units, and focuses on the audit test, which faces many restrictions in the increasingly complex business environment. While the latter is more focused on risk assessment link, auditors in collecting and checking the auditees financial and non-financial data, not only focus on the accuracy of the financial report, pay more attention to the auditees in the future potential risks, through the understanding of the enterprise industry environment, strategic objectives and business links and internal control, auditors can identify the future risk factors may affect the authenticity of financial reports, to formulate corresponding preventive measures, reduce the potential economic losses. In addition, auditors can also keep pace with The Times and use the power of big data, artificial intelligence and other technologies to analyze the audited tees, so as to identify potential risks and improve the efficiency and quality of audit.

2.2.2. Pay attention to audit planning

Different from the traditional audit work, the modern risk-oriented audit pays more attention to the role of the audit plan. In the preliminary business activities, the auditors will fully understand the specific situation of the auditees, after the audit engagement with the auditees, the auditors will audit plan according to the characteristics of the enterprise, and in the audit process according to the actual situation, constantly adjust the audit plan, ensure that the audit work orderly, and successfully achieve the audit goal

2.2.3. Audit procedures are more targeted

Modern risk-oriented audit is more flexible and diversified in the audit procedures. Auditors not only use traditional audit procedures such as control testing and substantive testing, but also more modern audit techniques such as analytical review. The comprehensive application of these procedures enables auditors to conduct a comprehensive evaluation of the audited units from multiple angles, avoid mechanical copying, improve the accuracy and reliability of the audit, and make the audit procedures more targeted.

2.2.4. Audit resource allocation is more reasonable

The traditional audit mode adopts all-round audit, and the allocation of resources for each audit project is basically the same. The lack of focus will lead to the waste of audit resources and reduce the efficiency of audit. And modern risk oriented audit will first risk assessment of the auditees, according to the results of the risk assessment stage, to risk of the audit field, will invest more energy in high-risk projects, and relatively reduce in low risk project into audit resources, so that the audit resources more reasonable allocation, reduce audit costs, improve the audit efficiency.

2.3. Principal-agent Theory

The principal-agent theory studies the principal-agent relationship within the enterprise. With the gradual expansion of the production scale of the enterprise, the functional departments are becoming more and more detailed, and the original enterprise operators have limited energy and ability and can no longer be competent for new challenges, so professional managers with high level and high ability will be hired to manage the enterprise. At this time, the ownership and management rights of the enterprise will be separated. In this process, the owner of the enterprise and the needs of the operator

will produce contradiction, the owner will be more value the accumulation of their wealth and sustainable long-term interests, and professional managers' income often linked to corporate profits, so pay more attention to the short-term interests of the enterprise, even "fish", make decisions to damage the interests of the owner. In order to solve the contradiction caused by the separation of the two rights, two ways of supervision and incentive emerged. The incentive is mainly performance reward, long-term profit sharing plan and various long-term benefits, while supervision is reflected in the establishment of the board of supervisors and the audit of accounting firms. The main purpose of social audit is to enhance except the managers of financial statements expected users trust in enterprise financial statements, but auditors did not participate in enterprise daily management, the internal and external information cannot fully reflect the enterprise reality, therefore, the audit report cannot provide absolute guarantee, in the audit report writing and disclosure may have problems.

2.4. Information Asymmetry Theory

The main content of the theory of information asymmetry is that: in the market economic activities, because everyone plays a different role and receives the information content and speed is also different, so they will make different market responses. In the process of audit, most of the information obtained by the auditors are provided by the auditees, which causes the auditors and the auditees information is asymmetric, enterprise insiders holds the reality of the enterprise, so there may be a situation: enterprises provide false financial data, at the same time auditors did not detect the fraud, so it is easy to cause audit failure.

Taking liquor enterprises as an example, the evaluation of the inventory value of enterprises basically depends on two points, the quantity of inventory and the quality of inventory. Most investors do not have the professional ability to judge the value of inventory, so they cannot have the best judgment on the value of enterprise inventory. Related parties can only judge through past experience whether they believe the enterprise and continue to have business with the enterprise. When implementing audit procedures for enterprises, auditors should set up targeted procedures according to the different characteristics of different inventories. If they encounter matters other than their major, they should timely make use of external forces and the ability of experts in relevant fields to reduce the information difference as far as possible, so as to carry out audit work. Therefore, in order to protect the interests of the information defect party, the information equivalence should be guaranteed as much as possible.

3. A BASIC INVENTORY SITUATION OF LIQUOR ENTERPRISES

3.1. Inventory Classification of A Liquor Enterprises

3.1.1. Raw materials

The raw materials of A liquor enterprise mainly include koji, sorghum, rice, glutinous rice, wheat, corn and water, sorghum is rich in starch and other ingredients conducive to fermentation, providing rich flavor substances for A liquor enterprise; wheat also plays an important role in the brewing process of A liquor enterprise, it is mainly used for making and providing essential microorganisms and enzymes for fermentation process; rice and glutinous rice also occupy A certain proportion in brewing, which constitute the unique brewing foundation of A liquor enterprise. Water quality plays A decisive role in the quality of wine. The origin of A liquor enterprise is located in Erlang Town, Gulin County, Luzhou City, Sichuan Province. The unique natural environment and high-quality water source here provide ideal conditions for the brewing of A liquor enterprise. According to the data, the Maotai-flavor liquor of A liquor enterprise specially selects the water of Chishui River as the raw material. The water quality of Chishui River is clear and rich in minerals, which provides A strong guarantee for the brewing of high-quality Maotai-flavor liquor.

3.1.2. Self-made semi-finished products and packaging materials

Self-made semi-finished product inventory is a kind of intermediate material product that has gone through a certain professional production process and has been strictly inspected, but has not been completed in the finished product processing or manufacturing work, and must still be further processed. In A liquor enterprise, the semi-finished products made by the company are mainly unblended base liquor. In addition, the packaging of A liquor enterprise also belongs to the inventory. The bottles of A liquor enterprise show their uniqueness in terms of design concept, production process, material texture, unique logo, anti-counterfeiting and collection value. These characteristics not only enhance the brand image and market competitiveness of A liquor enterprises, but also bring A better wine tasting experience for consumers.

3.1.3. Finished products

Finished products means that the enterprise has successfully completed the whole production process and entered the warehouse after passing the acceptance, and can sell to the ordering unit in the way agreed in the contract, or can be directly exported as a commodity. The finished products of A liquor enterprise are the finished wines ready for sale after blending. After packaging the finished wine is classified in the warehouse, A liquor enterprises have A total of seven varieties of liquor products, mainly including red, lang, safflower lang, lang, series, lang, T8, shun product lang, small lang wine series, in addition, there will be some joint, these products will be stored in the warehouse.

3.2. Characteristics and Risk Points of the Inventory of A Liquor Enterprises

Because the inventory of A liquor enterprises has the characteristics of various types, high value and value-added, high inventory management requirements, seasonal, cyclical and regional raw material procurement, long inventory turnover time and long shelf life, it brings new challenges to the inventory audit of liquor enterprises, which are as follows:

3.2.1. Procurement business is difficult to verify

Liquor enterprise raw materials are mostly sorghum, rice, glutinous rice, wheat, corn and other crops, due to its particularity cause purchasing time concentrated on the crops mature, and most of the transactions are directly and farmers, the transaction type mainly in cash settlement, transaction certificate is difficult to obtain, this virtually increased the difficulty of the auditors work and workload. These trivial transactions not only cause interference in terms of quantity, but also reduce their credibility in a certain sense, which increases the audit risk. Therefore, it is difficult to check the raw material procurement business, and the auditors should focus on whether the price and type of raw materials are true and reliable.

3.2.2. High difficulty of inventory monitoring plate

For A liquor enterprises, the inventory mainly includes raw materials, self-made semi-finished products, packaging materials, finished products and so on, which occupies A large proportion in the total assets. Raw materials are mainly including all kinds of food crops, sorghum, excipients is mainly used in starter, which because of product positioning, the inventory of the base wine and finished wine classification is more complex, especially the low wine, mid-end wine and high-end wine products, not from its appearance intuitive objective observation and classification, at the same time different quality degrees of liquor may also belong to different products, audit is generally difficult to in a short time of observation and identification, leading to the plate work does not reach the designated position. In addition, due to its special storage container and methods, the base wine cannot accurately measure its volume, which leads to the auditors in the audit process.

3.2.3. Low inventory turnover rate and cumbersome cost calculation

As a special national cultural symbol in China, liquor inventory has value-added value. "Aged wine" means that the longer the wine storage year, the stronger the wine aroma and the higher the value.

Under the large-scale production of modern liquor, wine companies to achieve long storage years, do enough preparation on raw materials reserves, the raw materials after complex cooking, saccharification, fermentation, distillation, aging process get base wine, according to the type of wine blending process, a set of procedures, need to cost longer production cycle, therefore, alcohol products inventory turnover is low, such as high-end series to place six to seven years to achieve the best flavor, maotai high-end wine also need to put five years for sale. In addition, there are various types of semi-finished liquor products and finished products obtained in different links, and their corresponding values are also different. In the accounting link, the combination of liquor knowledge and financial skills is needed. Especially when external auditors audit the liquor industry, professional liquor experts need to be hired to evaluate the value of different liquor inventory.

3.2.4. Inventory quality is difficult to determine

The miscellaneous quality, water content and starch quantity of raw materials of liquor enterprises affect the liquor yield and the reputation; the ductility and stress of packaging are the key factors to avoid product damage. However, in the audit process, raw materials such as sorghum and rice are stored in the granaries, and due to the weather environment of the granaries, the quality of raw materials will also be affected. A liquor enterprise according to the enterprise development strategy and industry situation, with different grades, different degrees of products, in recent years, A liquor wine also launched wine, zodiac wine and different limited products, between different products due to different brewing process and time, in terms of degree, taste and fragrance will have different characteristics. Liquor inventory is a kind of colorless (or for yellow) transparent, smell fragrance pure liquid, so we can't intuitively from the appearance of product observation and classification, at the same time different degrees of liquor may also belong to different products, auditors are generally difficult in A relatively short time to observe and analyze the identification, so for the quality of A liquor inventory is difficult to judge.

3.3. Improve the Strategy of Inventory Assets Audit of A Liquor Enterprises

Since there are many risk points in the inventory assets of A liquor enterprise, it is difficult to audit the inventory of other enterprises, so it is necessary to improve the strategy of the inventory assets audit of A liquor enterprise, as follows:

3.3.1. Strengthen the training of auditors

Because A liquor enterprise inventory classification, complex calculation, so it requires auditors in addition to the professional level of financial knowledge, should also know about other professional knowledge, such as the composition of A liquor enterprise products, the form of each stage, measurement, in the audit procedures, must be based on the characteristics of this kind of inventory, efficient and practical process, so as to effectively complete the audit work of the enterprise. Accounting firms can encourage auditors to learn other professional knowledge and comprehensively improve their professional competence through regular training. The training methods and contents of auditors are as follows:

- (1) With the old, the old auditors who have done the audit work in liquor enterprises for a long time can impart the audit experience to the new auditors, emphasizing the possible audit risks in such enterprises, as well as the fraud means commonly used in such enterprises.
- (2) Learning from people in the professional field, accounting firms can employ the staff of China Wine Industry Association and liquor appraisal experts to systematically explain the inventory characteristics, inventory methods and special audit procedures of liquor enterprises.
- (3) For each auditor, the accounting firms can group the auditors according to their specialties according to the different types of audit business they undertake, so that the auditors with special skills in different aspects can play the maximum role. Such grouping can help firms improve efficiency and ensure the professionalism and accuracy of the audit business.

3.3.2. Strengthen the awareness of inventory audit risk control

Inventory Audit Risk Management Procedure A key point in implementing the inventory audit is to establish the risk assessment procedure. Auditors should not only focus on A liquor enterprise financial statements such as operations, should also be fully considered in practice A liquor enterprise changes in the market and social environment, strategic goals, forecast in these changes, the company will appear what problems, what will face the significant risk. Only on the premise of being familiar with the possible problems, can the certified public accountants control the audit risks within the acceptable scope of the audit work, and can they complete the audit work well under the condition of risk avoidance through the modern mode of the audit ideas.

3.3.3. Pay close attention to the industry environment

When conducting the data analysis of A liquor enterprise, we should make both horizontal analysis and vertical analysis. A comprehensive understanding of A liquor enterprises not only need to look at the financial data, but also look at the non-financial data. On the other hand, compared with other companies of the same type and size, the audited company is more accurately positioned, such as Moutai and Xijiu. In the audit process, the impact of the overall environment should not be ignored. The trend of the industry and the internal regulation of the market also profoundly affect the development of enterprises. After fully mastering the operation situation of the enterprise, the theoretical knowledge is applied to evaluate the risk.

Auditors should pay close attention to the industry policy environment of A liquor enterprises. At present, the preferential policies of consumption tax of liquor enterprises in China have been basically implemented, and the Ministry of Finance has correctly guided the orderly development of this kind of consumption, and carried out the overall reform of the existing overall tax management framework and tax burden management level of the company. According to the specific instructions in the Guiding Catalogue of Industrial Structure Adjustment, the overall development trend of liquor industry has changed, and the development trend of liquor industry to the concentration of commodity integration is obvious. At present, the average growth rate of the overall profit of China's liquor industry has far exceeded the sales revenue of the industry, and the average growth rate of its commodity output has far exceeded the average growth rate of the industry output. These facts fully show that the overall product quality of the current liquor and beverage industry with Chinese characteristics is constantly improving, and the competition is also intensifying accordingly. Based on this situation, the audit staff should maintain professional sensitivity when auditing the problems of inventory quality of liquor enterprises, and promote the inspection of inventory quality to an important position. In the process of inventory quality inspection, they should pay attention to the relevant information of such inventory in the market. In addition, auditors should maintain a meticulous and patient working attitude in the audit work, grasp the production capacity of the auditee in detail, and verify whether the financial data of the unit is true and reliable. The indicators should be combined with the actual situation for comparison and analysis, so as to successfully complete the audit work.

3.3.4. Make rational use of expert work

In the audit work of A liquor enterprises, auditors should learn to make up for the shortcomings and seek the help of experts in related fields. Only in this way can we make up for the shortage of auditors in some areas and reduce the risk of audit failure. For liquor enterprises, due to the particularity of their industry, relevant experts are required to have a certain liquor culture. Therefore, when auditing the inventory of such companies, we should take the initiative to contact senior Chinese liquor tasters and seek the help of professionals in this field, so as to enhance the reliability of audit evidence and reduce the significant risk of audit failure.

4. SUMMARY

Liquor companies have their own particularity, When auditors audit such companies, Risk-oriented audit theory should be applied, Based on the corporate strategy, Focus on the industry environment and the policy environment, Combining financial indicators and non-financial indicators, Make a reasonable audit plan, Fully understand the internal control of the enterprise, Only in this way can the audit risk be reduced; Auditors during the audit process, Not only to maintain the independence of the audit, but also to maintain a And, where needed, Consult more from professionals in the field of such products, And a request for appropriate participation in the audit process; In addition to the auditors to strengthen the understanding of the audit work of such products, Regulatory authorities should also supervise, Standardize the audit process, Ensure that auditors make fewer mistakes in the audit process.

Finally, with the rapid development of economy and technology in the new era, users of financial statements are more and more accurate with numbers and more and more strict requirements on audit reports. In addition, there are many new industries born, and their inventory will be more special, which brings new challenges to the audit work. In this case, only by keeping pace with The Times, striving to improve their professional ability, integrating the modern risk audit theory, and constantly updating the audit methods, can the auditors adapt to the pressure brought by the change of The Times.

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