

**The degree
of Reliability of Audited Financial Statements in
the Palestinian Income Tax Departments
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Abstract

The aim of the study is to examine the reliability of audited financial statements in Palestinian income tax departments. This includes balance sheet, income statement and cash flow statement; the study begins with the preparation of the financial statements by the company's management based on the general accepted accounting principles "GAAP". These financial statements will be subjected to audit based on the general accepted auditing standards "GAAS". When reaching the assessor, these financial statements will be subjected to tax liability estimate based on the tax law and other related regulations.

The study consists of four chapters, each one includes several topics, the first chapter deals with the need for financial statements, the accounting system and its components, the importance and the objectives of the financial statements in Palestine, the basic assumptions for the preparation of the financial statements, the components of these financial statements, the users of these financial statements, the characteristics of these financial statements, the restrictions imposed on the preparation of these statements and the general accepted accounting principles.

The second chapter starts with the definition of the term "Audit" and its types and objectives. It also investigate the following topics: the general accepted auditing standards, the independency of external auditor, accounting and audit status in developing countries, audit means and

examples on some audit programs, the expectation gape facing the users of these audited financial statements and the auditors pitfalls and the subsequent legal responsibility.

The third chapter deals with the following topics: the differences between accounting profit and taxable profit by giving an example of how to find out the taxable profit from accounting profit, it also shows the importance of implementation to the international accounting standard No.(12), self-estimate of Palestinian share holding companies, estimate methods in the Jordanian tax law, modern techniques for tax – estimate, work procedures of the assessors in Palestine (interviews were held with Palestinian assessors for clarification), tax audit techniques on the income of Palestinian share holding companies, links between international audit standards and tax audit procedures and the success requirements of sample Tax audit.

The fourth chapter studies three real financial statements for real limited liability companies; taken from the tax departments settled files. the related financial statements have been selected based on specific criteria to represent the real life. These cases have been presented in a way to show the difference between actual a mount paid by the tax payer and the expected amount that should be paid if related financial statements were accepted by assessor. This chapter also shows the reasons behind the rejection of audited financial statements by the assessor.

The researcher concludes the study by the following major recommendations:

1. Written and documented procedures should be available at the Palestinian tax income departments as guidelines to assessor.