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NET, IAS, State-SET (KSET, WBSET, MPSET, etc.), GATE, CUET, Olympiads etc. Auditing

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Auditing means checking of books of accounts so that we can remove the errors and mistakes from books of accounts. It is differ from investigation, in other words auditing is normal work of checking the books of accounts. Because before faith on accounting reports it is very necessary to check these report from any professional accountant. A little mistake in accounting is very harmful for entire business. In auditing, auditor's duty is not check the fraud but check rules and regulation of accounting and laws of company. Auditing is very important for safeguarding the interest of investors and shareholders. Because without auditing, there may some mistake exists in the books of accounts which is very dangerous for business.

Audit Evidence and Method of Obtaining Evidence

Audit evidence is one of the basic principle governing an audit. Audit evidence includes all internal and external evidence which are base of reporting of auditor.

An Auditor should get all evidence in the process of his auditing work. This is the test which tells auditor that internal control is prefect or not.

Method of Obtaining Evidence

1. Inspection: This is the main method of getting the evidence of audit. Inspection means checks all records, documents, and physical assets and satisfy with their trust
2. Observation: Observation is also main method of audit evidence. In this way auditor gets the Testimony of witnesses. After this auditor can reach on the pin points of truth.
3. Inquiry and Confirmation: Inquiry is research of internal and outside information relating to accounting. Confirmation consists to responses on inquires. After true confirmation, auditor can trust and audit evidence.
4. Computation: Computation is calculation of correctness of accounting data.
5. Analytical Review: With the medium of Ratio analysis, auditor can check the accounting information, this is called analytical review.

Voucher and Vouching

Voucher is a documentary evidence in support of a transaction in the books of account. The act of establishing the accuracy and authenticity of entries in the account books is called vouching. Vouching may be defined as an examination every transaction of a business with relevant valid documentary and other evidence with a view to find out if it is genuine and bona fide. It aims at ascertaining whether a transaction is in order, has been properly authorized and is correctly recorded in the book.

Ronald H. Irish states that vouching is technical term which refers to the inspection by auditor a transaction. Vouching is considered to be the essence of auditing and therefore the auditor should be the very careful while vouching. Vouching means to substantiate an entry in the books of account not only with documentary evidence such as agreements, receipts, counterfoils of receipt books or paying in book contracts, but also to see that the transaction has been properly authorized, recorded and entered in the book, accounts e. g. Verification of the entries in the invoice book with the invoices, checking of the cash receipts with the counterfoils of the receipts, book, the checking of the cash payments with the receipts issued by the payee and so on. Vouching means testing the truth of items appearing in the books of original entry. The success of an auditor, in vouching depends upon his intelligence, critical bent of mind, common sense observation and fact with which he handles his work. He should go beyond the books of account and go to the source of a transaction. If he simply compares the entry, say, on the credit side of a cash book with the voucher, it is possible that he might not have been for the business or the receipt might have been for the previous year. Clever frauds can be discovered only by proper vouching. Therefore, it is very important that the items with great care and intelligence. It is through vouching that an auditor can satisfy himself as to the authenticity and completeness of transaction in the books of accounts. In case he will be held guilty as was decided in case of Armitage V2, Brewer and Knott.

Vouching also means checking of addition ledger positions, extracting of business in the ledger. The extent to which the auditor should check will depend upon the size of the business, the accounts of which he is auditing, if it is a big business, efficient internal check will be in operation and hence the auditor will be justified in relying upon a few test checks, while in a small business, internal check may not be in operation and hence the auditor will have to check every entry. To be on the safe side, the auditor will do well to check the entries in detail because the curtailment of work will not in any way reduce his responsibility.

Basic Principle of Governing the Form and Contents of Working Papers

Basic Principle of Governing the form and contents of working papers includes in AAS-3. In basic principle governing form and contents of working paper includes following matter.

1. Different audit plan's record should be in it in which tells its nature and about its time.
2. Form of audit report
3. It must be fully complete

Permanent Audit File

Permanent Audit file includes following matter

1. Information of company's nature, history, place of production
2. Memorandum of association
3. Article of association's copies
4. Content list of all important books of company.
5. List of working charts
6. Photo copy of all directions of employers
7. Previous years a/c's audit report
8. List of all reports relating interval audit or interval inspections

Current Audit File

Current audit file include following:

1. Audit and audit programme's copies
2. Clearance the problems and confusion during the time of audit work
3. Copies of annual records like trade a/cs and profit and loss account and balance sheet
4. Bank reconciliation statement
5. Paper of calculation of tax bonus.
6. List of lost proofs
7. Paper regarding stock evaluation