

Patrician College of Arts & Science

Department of Accounting & Finance

PRACTICAL AUDITING

CPG 5A

V SEMESTER

Presented By
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AUDITING

Auditing





Meaning - Auditing



- The Word Audit is derived from the Latin word “Audire” which means to hear.
- In Olden days, some experienced people ordinarily judges the accounts of business people for the purpose of the correctness of accounts.

I ♥ AUDIT

Meaning

The general meaning of an audit is a planned and documented activity performed by qualified personnel to determine by investigation, examination, or evaluation of objective evidence, the adequacy and compliance with established procedures, or applicable documents, and the effectiveness of implementation.

Simple Definition:- Spicer & Pegler

“Audit is an examination of accounts & records which is carried out by vouching the evidences, supporting various transactions; by such an examination it is ascertained that the Balance Sheet gives a true & fair view of the state of affairs of business & the Profit & Loss Account gives a true & fair view of the profit or loss of business.

Characteristics of Auditing

1. Systematic & Scientific Procedure
2. Essential Documents are integral part
3. It is done with the help of vouchers, documents, information and explanations received from the authorities.
4. Undertaken by an Independent person or Body
5. Analytical approach

6. Art & Science Both
7. Verification of the results
8. The Auditor has to satisfy himself with the authenticity
9. Compliance
10. The auditor has to inspect, compare, check, review, scrutinize the vouchers supporting the transactions and examine correspondence, Memorandum of Association and Articles of association etc., in order to establish correctness of the books of accounts.

Scope of Auditing

1. Legal Requirements
2. Entity Aspects
3. Reliable Information
4. Proper Communication
5. Evaluation
6. Test
7. Comparison
8. Judgments
9. Work
10. Evidence
11. Misstatement

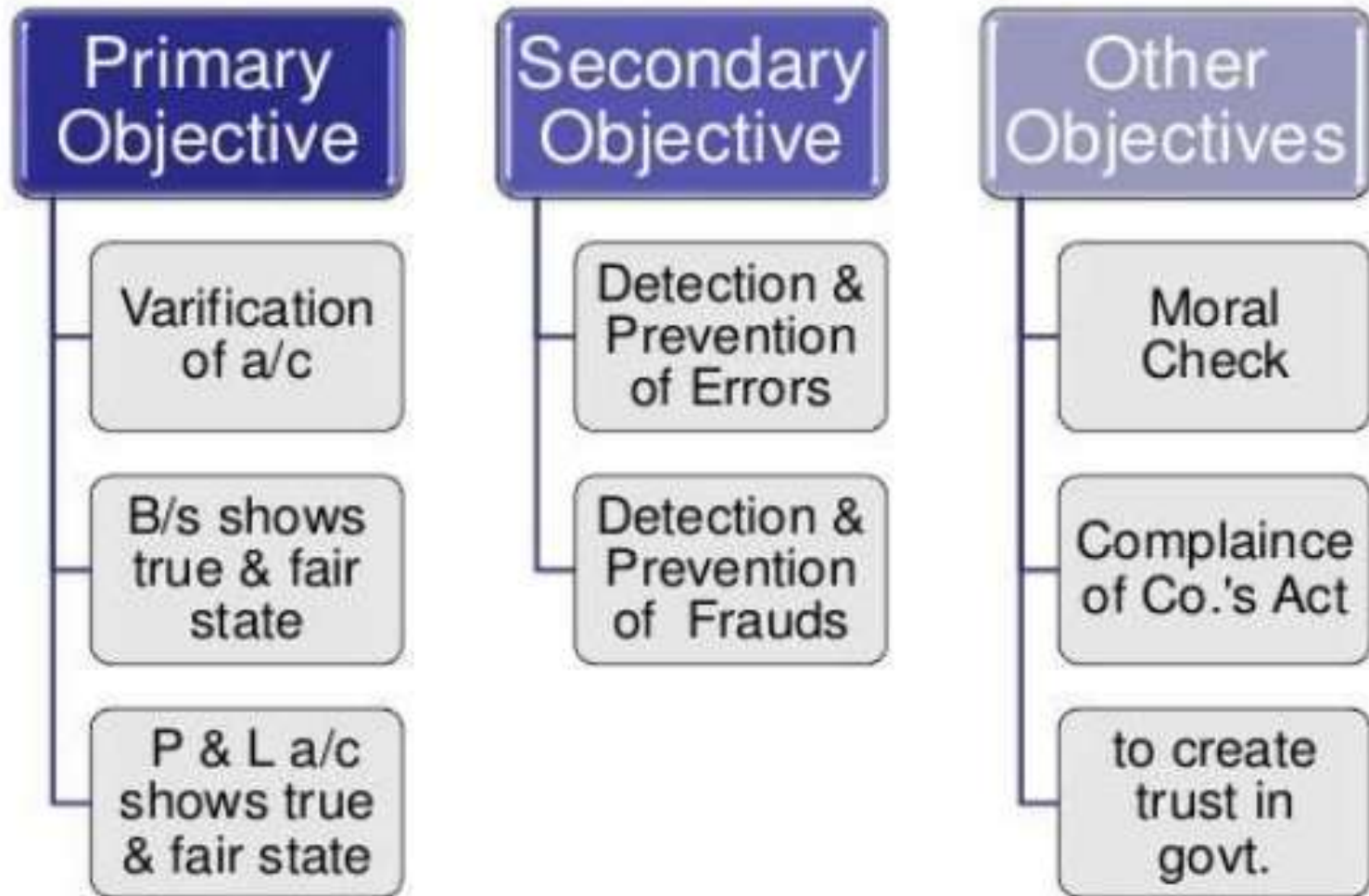


Principles of Auditing

Fundamental principles of Auditing

1. Integrity, Objectivity and Independence
2. Confidentiality
3. Skill & Competence
4. Responsibility of work performed by others
5. Documentation
6. Planning
7. Audit Evidence
8. Accounting system & Internal Control
9. Audit Conclusions
10. Audit Report

Objects of Auditing



Detection & Prevention of Errors

Error of Omission

- transaction is to be left out to register, partial entry of one transaction

Error of Commission

- Rs. 1500 recorded as Rs. 5100

Clerical Error

- omission to post, posting wrong side & amount to an a/c, double posting, totalling mistake, balance b/d & c/f

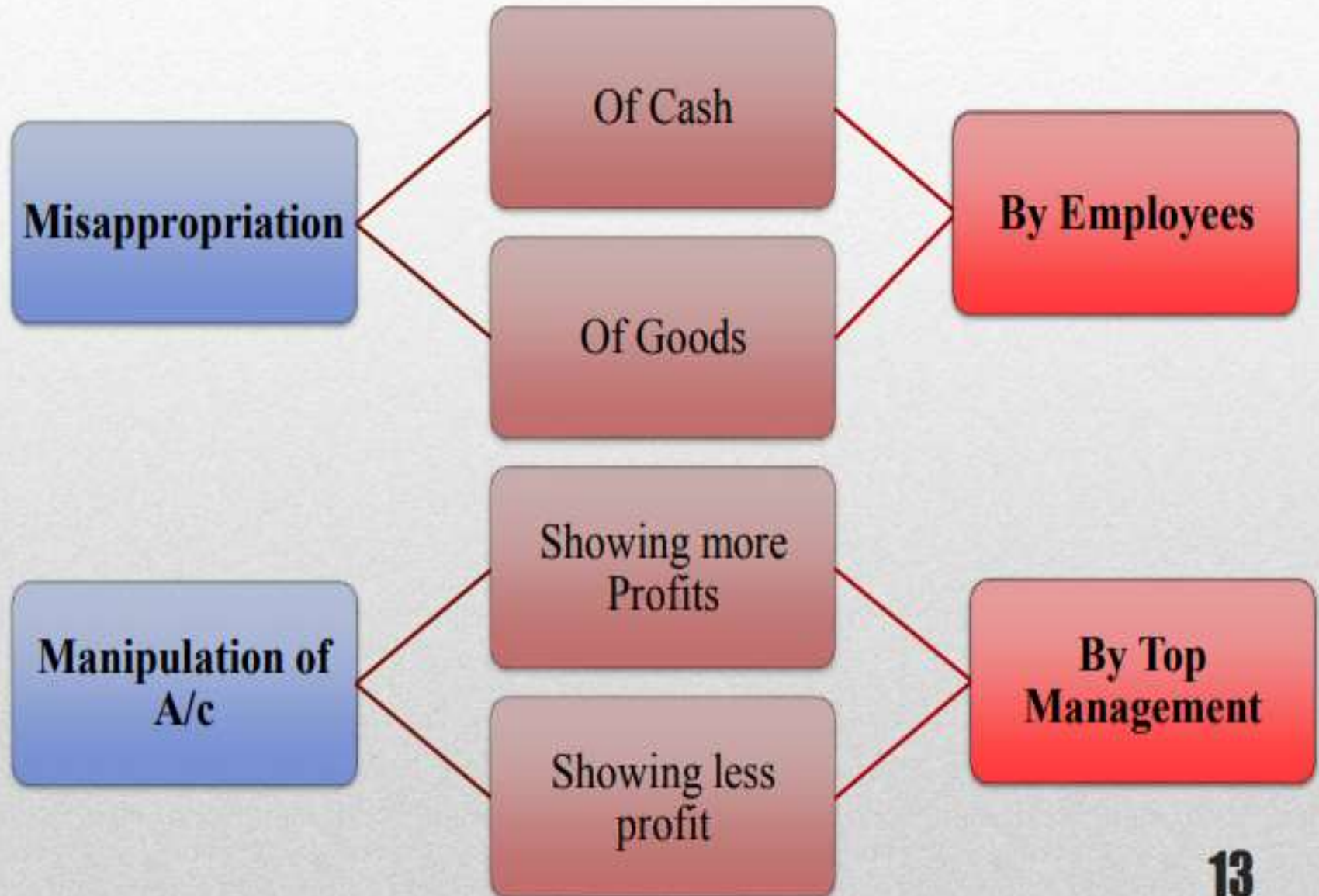
Error of Principle

- fundamental principle of Accountancy & Auditing

Compensating Error

- two errors together which will be resulted in trial balance sheet will agree

Detection & Prevention of Frauds



Advantages of Auditing

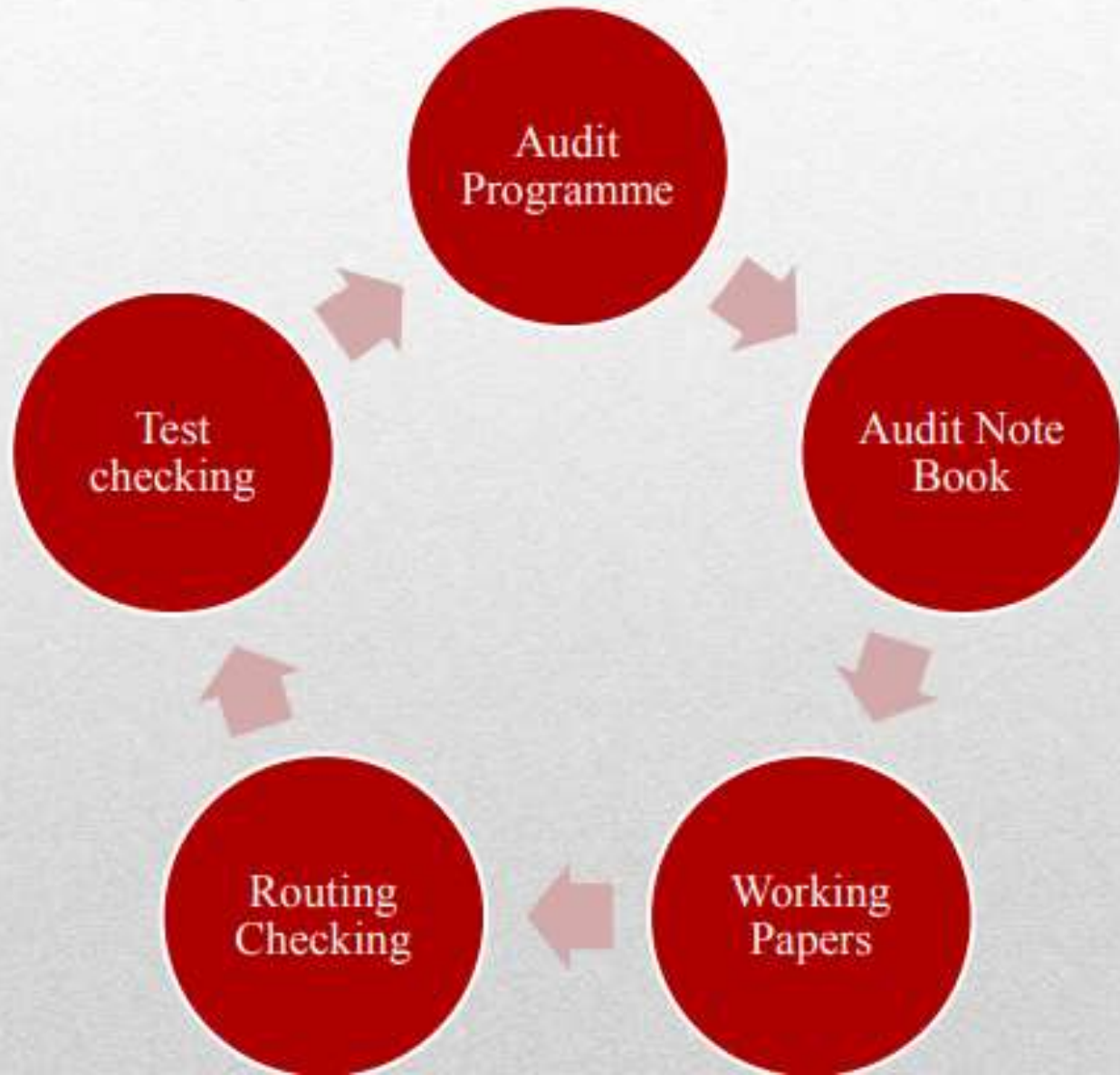
A. Businessman's point of view:-

1. Detection of errors and frauds
2. Loan from banks
3. Proper valuation of investments
4. Proper valuation of assets
5. Government acceptance
6. Suggestions for improvement
7. Better Reputation
8. Uniformity in accounts

B. Investor's point of view

1. Protects interest
2. Moral check
3. Builds reputation
4. Good security

Audit Procedure





Thank you

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