

AUDITING

FIN. ACC.& AUD. – PAPER X

T.Y.B.COM.

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**Special Guidance Lecture at
L. S. Raheja College of Arts & Commerce,
On 31th March, 2018.**

TOTAL MARKS – 75

TIME – 21/2 HOURS

- ALLOCATION OF MARKS & TIME –
- Q.No.1 Objective – 8 out of 10 + 7 out of 10 15 marks
- Q.No.2 Theory Q. -15 marks or Theory Q. 15 marks
- Q.No.3 Theory Q.- 15 marks or Theory Q. 15 marks
- Q.No.4 Theory Q. -15 marks or Theory Q. 15 marks
- Q.No.5 Theory–8 + 7 marks or Short Q. 3 out of 5 15 marks
- Question of 15 marks may be divided into 8 + 7 marks
- Total Marks 5 Q.s x 15 marks **75 marks**

- For reading question paper 5 mt.s
- For writing 4 questions x 30 mt.s 120 mts.
- For writing Q. no. 1 - 20 mts.
- For checking answer paper 5 mts.
- Total Time **150 mts.**

Introduction to Auditing

- **Definition of Auditing –
Spicer & Pegler and The ICAI of India**
- **Advantages of Audit**
- **Limitations of Audit**
- **Principles of Auditing**
- **Book-keeping, Accountancy and Auditing**
- **Financial Statements and its users**
- **Distinction between Auditing & Investigation**

Objects of Audit

- **a) Primary Object – To Report about “True and Fair View”**
- **b) Secondary Objects – i) Detection and Prevention of Errors**
- **ii) Detection and Prevention of Frauds**

- **Types of Errors – a) Errors of Principle**
- **b) Clerical Errors –**
- **i) Errors of Omission**
- **ii) Errors of Commission**
- **iii) Compensating Errors**
- **iv) Errors of Duplication**
- **Types of Frauds – a) Manipulation of Accounts**
- **b) Misappropriation of Cash**
- **c) Misappropriation of Goods**

- **The Concept of “True and Fair View”**
- **Window Dressing and Secret Reserve**

Fraud – circumstances for existence & Auditor's Duties, Accountancy Concepts

- **Reasons and circumstances for existence of Fraud -
Absence of internal control, heavy turnover of employees, sudden fall in G.P. and N.P. ratio etc.**
- **Auditor's Duties and Responsibilities in respect of Fraud – CARO, 2013 requirement to report whether any fraud by or on the company has been noticed and the nature and amount involved to be indicated.**
- **The concept of Materiality (S. A. 320)**
- **The concept of Going Concern (S. A. 570)**
- **Independence of Auditor (S. A. 200)**

Audit Planning, Procedures & Documentation

- **Audit Planning (S. A. 300)**
- **Audit Programme – Blue Print of Audit Work.**
- **Audit Pre-commencement requirements.**
- **Audit Working Papers – Current File, Permanent File**
- **R.D.Saxena Vs Balram Prasad Sharma(2000) – Supreme Court held that auditor has no lien over the books of accounts of his client for unpaid audit fees.**
- **Audit Note Book – Audit Memoranda.**

Auditing Techniques (SA 500)

- Inspection
- Observation
- Enquiry
- Confirmation
- Computation
- Analytical Review

- Audit Procedures – a) Compliance Procedures
- b) Substantive Procedures

- **Test Check – According to Prof. Meigs-** “Testing and test-checking means to select and examine a representative sample from a large number of similar items.”
- Features, Advantages, Disadvantages

Audit Sampling (SA 530)

- **Sampling Risks in Compliance Procedures –**
 - **a) Risk of Under-Reliance**
 - **b) Risk of Over-Reliance**

- **Sampling Risks in Substantive Procedures –**
 - **a) Risk of Incorrect Rejection**
 - **b) Risk of Incorrect Acceptance**

- **Tolerable Error and Expected Error**

- **Methods of selecting sample items –**
 - **a) Random Selection b) Systematic Selection or Interval Selection c) Haphazard Selection**

Internal Control (SA 400)

- Accounting Controls
- Administrative Controls
- Objectives, Advantages, Limitations
- **Internal Check System-**
- According to Prof. L.R. Dicksee –
- “Internal check is such an arrangement of book keeping routine that errors and frauds are likely to be prevented or discovered by the very operation of book-keeping system itself.”
- **Internal Audit (SA 610)**

Vouching

- According to **Prof. L.R.Dicksee** –
- “Vouching consists of comparing entries in the books of accounts with documentary evidence in support thereof.”
- **Importance, Objectives, Special Considerations**
- **Vouching of capital and revenue receipts**
- **Vouching of capital and revenue expenditure**
- **Wherever TDS is deductible, see that TDS is deducted, paid to Govt., TDS certificate is given and it is correctly recorded.**

Verification (SA 500)

According to **Spicer and Pegler** –

“Verification of assets implies an inquiry into the value, ownership and title, existence and possession and the presence of any charge on the assets.”

Important Points-

- i) Existence**
- ii) Possession**
- iii) Ownership,**
- iv) Authorization**
- v) Purpose**
- vi) Charge or lien**
- vii) Proper recording**
- viii) Audit Report**
- ix) Events after Balance Sheet Date**
- x) Valuation and Disclosure**

General Instructions

- Not necessary to write Q.No.1 first. Write first the question which you know the best.
- Handwriting should be clean, neat and beautiful.
- Presentation should be nice.
- Complete the entire paper.
- Take care of your health. Take proper sleep at night and avoid full night studies.
- Reach exam. hall 30 minutes before time.
- Do not entertain anybody during exam.

BEST OF LUCK !

- TRY TO GET **80% plus/ 60 plus marks !**
- YOU **CAN** AND YOU **WILL** DO IT !!

THANK YOU !



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