

B. COM
SEMESTER V
Accounting Major 3
AUDITING –I
(100 Marks – 75 Lectures)

Objective:

The course aims at imparting knowledge about the principles, methods, techniques of auditing and their applications to understand the objective and concepts of auditing to gain working knowledge of generally accepted auditing procedures and of techniques and skills.

UNIT I: INTRODUCTION:
lectures)

(24 Marks-15

- Evolution of audit
- Meaning and Definition
- Scope of Auditing
- Auditing V/s. Accountancy
- Objectives of Auditing – Primary & Secondary
- Various classes of audit (Based on authority, time and scope)
- Qualities of an Auditor
- Audit Independence
- Basic Principles governing an audit.
- Benefits and limitations of Auditing
- Auditing and Assurance Standards (Revised SA) - Overview, Standard-setting process, role of Auditing and Assurance Standards Board in India and role of International Auditing and Assurance Standards Board

UNIT II: AUDIT PROCESS
(lectures)

(24 Marks-15

Audit plan – Meaning and steps in audit planning

- **Audit Programme – Meaning, objectives, contents, merits and limitations.**
- **Audit evidence - Procedures for obtaining evidence, Sources of evidence, Reliability of audit evidence, Methods of obtaining audit evidence, Physical verification, documentation, direct confirmation, re-computation, Analytical review techniques, and representation by management.**
- **Audit Working Papers – Purpose, contents, working files – permanent and temporary files, ownership & confidentiality of working papers.**
- **Audit Note Book- Purpose, content and benefits**
- **Routine checking**
- **Audit Sampling - Judgmental and statistical sampling**
- **Test checking**

UNIT III: INTERNAL CONTROL SYSTEM
(lectures)

(20 Marks-13

- **Meaning – Nature and Objectives of Internal Control System**
- **Procedure for Evaluation of Internal Control System**
- **Methods for evaluation of internal control system,**
- **Internal Control Questionnaire – Meaning, illustrations, merits and demerits**
- **Flow chart – meaning, illustrations , merits and de-merits**
- **Internal Check – Meaning, objectives, merits and demerits**
- **Principles to be Considered in determining the Internal Check System**
- **General Procedure to be followed in Internal Check System**
- **Internal Audit – Meaning and Significance**

UNIT IV: VOUCHING AND VERIFICATION
(lectures)

(32 Marks-32

- **Vouching – Meaning, objectives and types of voucher.**
- **General procedure for vouching including treatment for missing voucher**

- Audit of payments – General considerations, wages, salaries, rent, commission, travelling expenses, capital expenditure, petty cash payments and bank payments
- Audit of receipts – General considerations, receipts from debtors, rent, commission, capital receipt, dividend and interest and bank receipts.
- Audit of Purchases – Vouching cash and credit purchases, Forward purchases, purchase returns, allowance received from suppliers.
- Audit of Sales – Vouching of cash and credit sales, goods on consignment, Sale on approval basis, sale under hire-purchase agreement, returnable containers, various types of allowances given to customers and sale returns.
- Audit of impersonal ledger – Capital expenditure, deferred revenue expenditure, revenue expenditure, outstanding expenses and income,
- Verification-meaning, objectives, verification V/s Vouching
- Valuation-meaning, objectives, Verification V/s. Valuation
- Procedure for Verification & Valuation in general and for the following specific items - Land & building, plant & machinery, investment, motor vehicles, debtors, cash & bank balances, copy rights, patents, trademarks, goodwill, creditors, secured & unsecured loans and Contingent Liabilities.
- Inventories - types of inventories, verification & valuation of inventories and auditors duties in respect to AS-2 & case laws.

Note.

1. Relevant auditing standards to be covered wherever applicable
2. Syllabus will be revised on regular basis at the beginning of the year to accommodate changes made in auditing standards

Books for Study and Reference:

1. Aruna Jha, Students guide to auditing. Taxman publication New Delhi.
2. Gupta Kamal: Contemporary Auditing, Tata McGraw-Hill, New Delhi
3. Tandon B. N. Principles of Auditing: S. Chand & Co, New Delhi.
4. Pagare Dinkar: Principles & Practice of Auditing: Sultan Chand, New Delhi

5. Sharma T.R.: Auditing Principle & Problems: Sahitya Bhavan, Agra.
6. Sekhar & Sekhar: Auditing: Vikas Publishing House Ltd., New Delhi.
7. Saxena R. G. & Others: Practical Auditing: Himalaya Publishers, Mumbai.
8. S.D Sharma: Auditing Principles, Taxman publication New Delhi
9. Ravinder Kumar & Virender Sharma: Auditing Principles & Practice: Prentice Hall of India, New Delhi.