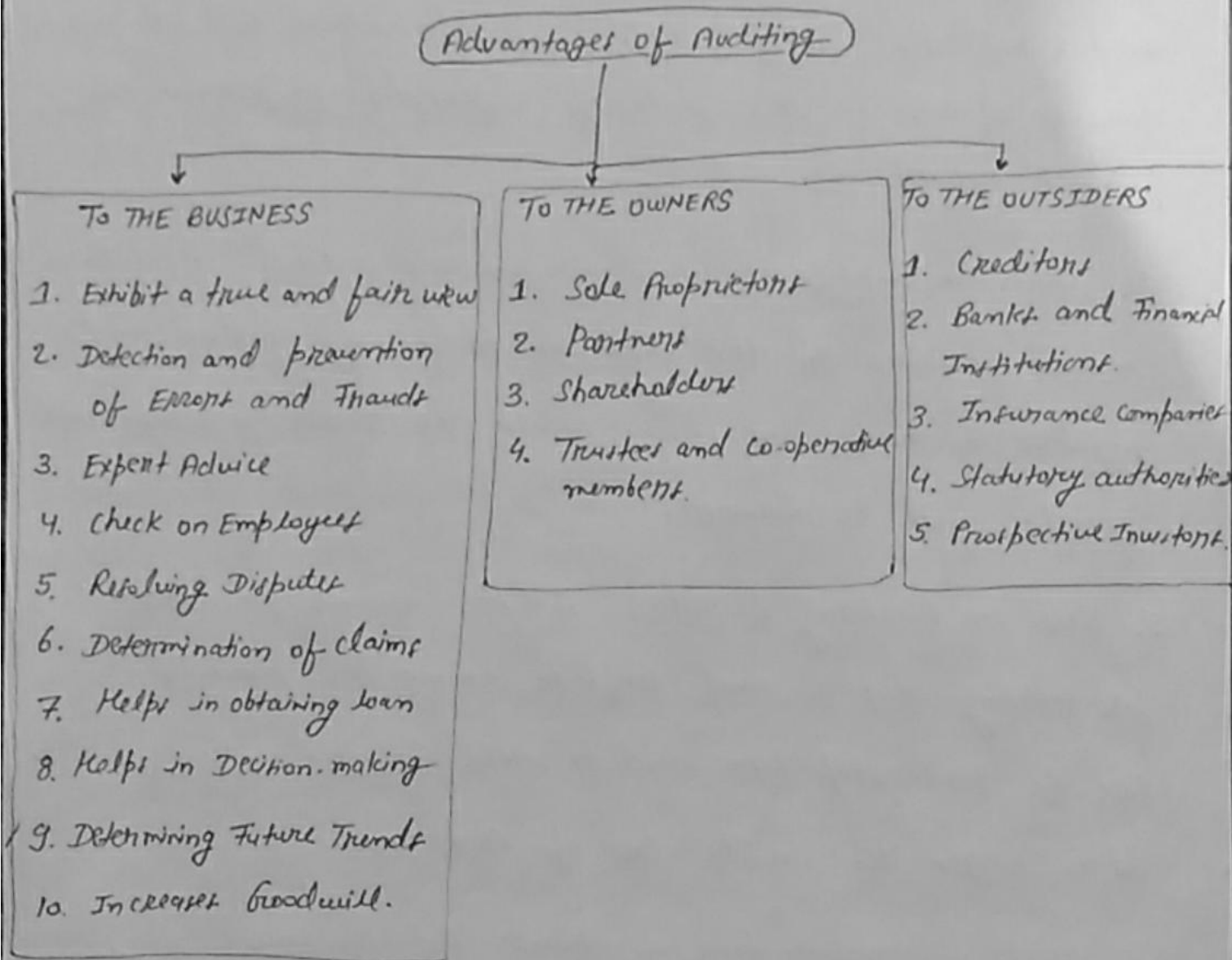


SUBJECT- AUDITING

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ADVANTAGES OF AUDITING - I



I. Benefits to the Business

1. Exhibits a True and Fair view of the financial statements:-

Audited accounts enable to reveal that the profit and loss Account and Balance-sheet of the business concern shows a true and fair view of the state of affairs of the business concern.

2. Detection and Prevention of Errors and Frauds: when books of accounts are audited, errors and frauds can be detected and necessary action can be taken to prevent it.
3. Expert Advice: Auditors who possess professional outlook provide expert advice to the company on various aspects such as tax matters, internal check, internal control and submission of various reports to the statutory authorities, preparation of project reports etc.
4. Check on Employees: when accounts are audited it creates a moral pressure on the employees to be very cautious and regular in their work, as a result the chances of errors and frauds will be minimized.
5. Helps in Resolving Disputes: Audited accounts provides a basis for settling disputes and conflicts among the partners in the case of partnership firm and to settle disputes with regard to bonus, wages etc. in the case of companies.
6. Helps in Determination of Claims: An insurance company settles claims to the companies for the loss due to damage of business property only on the basis of audited accounts.
7. Helps in Obtaining Loan: Loans can be easily borrowed from banks and other financial institutions on the basis of audited

accounts, as the audited accounts authenticate the truthfulness of the books of accounts and financial statements.

8. Helps in Decision-making: Audited accounts are relied upon for the purpose of decision-making by the management.

9. Helps to Determine Future Trends: By comparing the audited accounts with past years, the trend of financial activities can be determined. On the basis of review, weaknesses are found out and policies for the future period can be determined.

10. Increase in Goodwill: Audit of business on a regular basis increases confidence to the interested parties and general public, as a result goodwill of the business can be enhanced.