

SUBJECT- AUDITING

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RELATIONSHIP AMONG BOOK-KEEPING, ACCOUNTANCY AND AUDITING

* BOOK-KEEPING:

Book-keeping is the art of recording day to day transactions systematically in the books of accounts. This part of work is performed by book-keeper. It includes Journalizing, Posting, totaling and balancing of the ledger accounts. The work of a book-keeper is clerical in nature and it is performed under overall direction and supervision of an accountant.

* Accountancy:

"Accountancy begins where book-keeping ends." The job of accountant starts when book-keeper has finished his job. The work of accountant is to check arithmetical accuracy of the accounts prepared by the book-keeper by preparing the trial-balance. If any omission or error exists it shall be rectified. Finally the accountant has to prepare Trading profit and loss account and the balance-sheet, incorporating necessary adjustments therein.

* AUDITING:

"Auditing begins, where accountancy ends." After the accountant has completed his work an auditor is invited to verify the work done by accountant.

Auditing is concerned with making an analytical and critical examination of the books of account, checking and verification of the evidence in support of transactions appearing in the books of accounts and ascertaining the authenticity of assertions made in the financial statements.

The relationship of auditing and accounting is close but they are different. The main points of distinction between accountancy and auditing may be explained as follows:

BASIS OF DISTINCTION	ACCOUNTING	AUDITING
1. Nature	Accounting refers to preparation of accounts.	Auditing refers to examination and checking of financial records.
2. Objective	The primary object of Accounting is to find out the trading results of business during a financial year and show the financial position of the concern on a particular date.	The primary object of Auditing is to certify the correctness and justification of the financial statements prepared by the accountants.
3. Qualification	The Accountant need not be a chartered Accountant	The Auditor must be a chartered accountant.
4. Appointment	The Accounting work is done by a permanent employee of the concern and works directly under the control of management.	The auditor is not an employee. He is an independent person. Professionally competent, appointed by the proprietor with specific purpose.

5. STATUS	The accounting work is done by a permanent employee of the concern.	The audit work is done by an outsider.
6. Scope	Its scope is restricted to preparation of financial statements and their interpretation.	It is determined by the agreement between auditor and his client.
7. Commencement	It starts where book-keeping ends.	It starts where accountancy ends.
8. Remuneration	The accountant is paid monthly salary.	The Auditor gets a fixed amount as per agreement with his client.
9. Knowledge	The accountant may or may have any knowledge of auditing and its techniques.	The auditor must have thorough knowledge of Accountancy.
10. Time-period.	Accounting-work is undertaken throughout the year.	Generally Auditing is taken up at the end of the year.
11. Regulations applicable	Accounting is governed by any professional regulations.	Auditing is governed by the code of conduct and standards laid down by the ICAI.
12. Submission of report	The accountant is not required to submit a report on the financial statements prepared by him.	The auditor is required to submit a report to his client on truth and fairness of financial statements.
13. Compulsion	Keeping of accounts is a must to know the exact financial position and profitability of the business at the end of the financial year.	Audit is not compulsory except where this is required by the statute.