

SUBJECT- AUDITING

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### VOUCHING OF CASH RECEIPTS-I

The auditor should keep in mind the following points in regard to risk of errors, frauds or manipulation while vouching the cash receipts;

- False particulars of cash deposited in bank may be entered in Counterfoils of pay-in-slips.
- Cash received may not be entered in cash-book particularly bad-debts recovered, sale of assets, over payments to creditors.
- Duplicate receipts may show sum less than the original receipts.
- Cheques received from customer may be deposited in bank without being entered in cash-book and later on an equivalent amount may be withdrawn.
- Incorrect totalling of cash-book and thereafter false bank statements may be prepared.
- Overstatement of discount allowed and excess of cash received may be misappropriated.
- Cash in hand may include personal cheques without any intention to deposit these cheques into Bank for collection.

- cheques received may be credited to suspense account and then later on cash may be withdrawn and misappropriated.

The Vouching of cash receipts will depend to a large extent on the strength of internal control system. Test checks can be applied to the audit of cash receipts if internal control system is satisfactory and adequate. Auditor may check a few receipts at random if everything is in order.

### \* VOUCHING OF VARIOUS CASH RECEIPTS (DEBIT SIDE)

- OPENING BALANCE: Closing cash balance of the last year becomes opening cash balance of the current year. It can be verified from the last year's audited balance sheet.
- CASH SALES: There are more misappropriation of cash sales. In vouching cash sales, cash register should be fully checked with carbon copies of cash memos. The auditor should verify the daily deposits of cash received in the Bank.
- Dates of cash memos and date on which the receipts are recorded in cash-book must be same.
- If cash memos are cancelled, all copies including the original copy duly cancelled, should be kept in the book.
- If the company has a discount policy, it must be approved by a responsible officer.
- (Vouchers - Duplicate cash memo, Salesman's abstracts, Cashier's summary).

## \* CASH RECEIVED FROM DEBTORS

When cash is received from customers, a cash memo is issued; a counterfoil is retained by the receiving clerk.

Sometimes shortage is concealed, by delaying the recording of receipts of cash from a debtor.

Sometimes payment received from a customer is misappropriated without making entry in his account and later on when cash is received from another customer, it is posted to the account of former customer. This is known as "teeming and lading".

- The auditor should verify amount received from debtors from the counterfoils issued to customers.
- All receipts should be serially numbered.
- Amount should be entered in the cash-book on the day when received.
- Discount allowed to customers should be authorized by a responsible officer. (Vouchers - counterfoils, Correspondence etc.)

## Loans

All business concerns have to borrow, from banks or other financial institutions.

Auditors should enquire whether the client is empowered borrow.

A company is required to maintain a separate register for the public deposits accepted and should follow legal provisions imposed by the Companies Act.

while vouching the received, the terms and conditions contained in the agreement should be verified. If the loan is secured it has to be disclosed in the Balance-sheet.

#### \* BILLS RECEIVABLE

- It may be verified because the various details regarding bills matured and discounted are available in it.
- Auditor should check the amount received with bank statements.
- An enquiry may be made from party regarding due amounts and dishonor of bills. It may lead to detection of a fraud, as the amount may be received and misappropriated by the cashier.
- A verification of the bills discounted should be made. Such bills are entered and appeared as contingent liability in the Balance-sheet; if the date of maturity is after the date of Balance-sheet.
- (Vouchers, Bill receivable Book, Cash-book, Pass Book)