

SH. ASHOK KUMAR
ASSISTANT PROFESSOR
SUB-DIVISIONAL GOVT.
DEGREE COLLEGE, NANAMATI
DEHRI, ROHTAS-821304
MOB-8544366310

SUBJECT- AUDITING

VOUCHING OF CREDIT-SALES AND SALES-RETURN

In Big organizations sales are made on credit basis. The client himself prepares the sales invoices and records credit sales in the sales-book. The auditor can depend on sale invoices, and internal-control system for credit sales in operation

*INTERNAL CONTROL OF CREDIT SALES

- ↳ Any order received or booked should be recorded in a separate register, giving full details of the goods ordered. The details are : a) Name of the Customer (b) Quantity ordered (c) selling price (d) Reference number (e) Date of delivery (f) mode of delivery (g) Particulars regarding sales-tax, excise-duty and insurance.
- ↳ After receiving the order, a copy of the same is sent to dispatch section, where the clerk will keep the goods separate for the purpose of dispatch.
- ↳ Another clerk will compare the list of goods and verify the goods dispatched with the customer's order.

- ↳ Three copies of the challan should be prepared giving the full details of goods dispatched. One copy will be kept by the dispatch Department and other two copies will be sent along with the goods.
- ↳ One copy will be received back duly receipted, which serves as the proof of dispatch of goods. The original copy of invoice is sent the customer, and another copy to Accounts Department.
- ↳ If the orders are received through agent, a copy of sales invoice will be sent to the agent for sales commission and execution of sales order.
- ↳ If agents collect the payment from customers, necessary information shall be provided.
- ↳ For collection of amount of sales Invoice either Sales or accounts Department may make cautious efforts to collect the amount after expiry of credit period.
- ↳ Up-to-date record shall be maintained by Departments.

* AUDITOR'S DUTIES

- ↳ He should examine the internal control system to assess the efficiency of the system by test-checking. If not satisfied, thorough vouching will be necessary.
- ↳ The sales register should be examined with copies of sales invoices. The sale of capital items shall not be recorded in the sales-book.

- The checks should be applied on the calculations made in sales invoices.
- The totaling and castings of sales-book should be verified.
- The sales-tax, duties collected through sales invoices must be recorded under separate accounts.
- It should be verified that all sales invoices are prepared on the basis of challans and entered in the respective-accounts. No sales invoice should be left unrecorded.
- Sales made in the current year must be recorded under that year only. Similarly sales of the preceding or subsequent years shall not be recorded as sales of the current year.
- All cancelled sales invoices must be kept together for verification by auditor, and see that they are properly treated in the books of accounts.
- Trade discounts allowed to the customers should be checked. No separate entry for discount should be passed in the books. If the trade discounts are high, the possible reasons should be located.

II. VOUCHING OF SALES RETURNS

They are the returns made by the customers, on which a credit note is issued only after obtaining sanction from the responsible officer. Before a Credit note is issued, return inward register and stores records should be verified. If sales returns occur frequently, it is preferable to use separate sales-return book in returns will be recorded. The auditor should be

Careful about the sales return in the beginning of the year to detect the fictitious sales. The quality and quantity of goods returned must be verified by the person preparing return-note. Some-times the customer sends a Debit note on returning the goods; it should be taken as external information for verification and duplication in recording of sales-returns.

The auditor should pay special attention while vouching sales returns:

- Date on which the goods are actually returned.
- Credit or Debit Note of sales return.
- Gate-keeper's receipt book.
- Stores Records.
- Corresponding entry for the return of goods in customer's account.
- Goods returned should form the part of closing stock at cost price or market price whichever is less.