

SUBJECT- AUDITING

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VOUCHING OF DIFFERENT BOOKS OF ORIGINAL ENTRY

* Vouching of Cash Transactions:

Receipt side: (Debit)

1. Opening Balance: Closing Balance of last year becomes opening balance of current year. Opening balance can be verified from last year audited balance-sheet. If cash book has bank column also, he should check whether amount of opening balance is entered in the right column.
2. Cash sales: there may be misappropriation of cash sales i.e., salesman may make sale and may not enter the entry for cash received. Internal control system regarding cash sales must be effective.
 - Cash register should be fully checked with carbon copies of cash memos.
 - To check 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.
 - where the company has a discount policy, if more discount is allowed in a transaction, it must be approved by a responsible officer.

where the cash memos are cancelled, all copies including original copy duly cancelled should be kept in the books. (Vouchers, duplicate cash memo, salesman abstract, cash summaries)

3. Cash received from debtors:

- auditor should verify amount received from debtors from counterfoils or carbon copies of receipt issued to customer.
- Sometimes there may be case of -----
- All these receipts should be serially numbered.
- Amount should be entered in cash book on the day when received.
- D/A to customer should be authorized by a responsible person. (Vouchers - counterfoils, correspondence).

4. Loans:

- while vouching the loan received, the terms and conditions contained in the agreement should be verified.
- If the loan is secured, what security has been offered, whether the fact has been disclosed in balance-sheet.

5. Bills receivable:

- A verification of the bills discounted should be made.
- whether entry for discount has been made.
- Such bills should appear as contingent liability in the balance-sheet. (Vouchers: Bills receivable book, cash book, pass book)

6. Rent receivable:

- Terms and conditions of agreement and lease deed.
- Rent receivable should be compared with list of properties maintained.
- To check the counterfoils of the receipts issued to the tenants.

- In case of heavy arrears of rent outstanding, the auditor should confirm the arrears from tenants with the consent of the client.
- Auditor should obtain a certificate from the responsible officer regarding the period for which the property remained vacant. (Vouchers: house deed and agreement, CF, Correspondence)

7. Income from interest:

- Interest received on the securities can be vouched from covering letters and schedule of securities.
- Interest on fixed deposits can be verified from the bank pass-book.
- If the interest on loan granted to a party, it can be checked from agreement made and counterpart of receipt issued.
- It should be ensured that all interest received and accrued have been accounted for in the books of accounts and properly shown in balance-sheet. (Vouchers: Passbook, agreements)

8. Income from dividend:

- Auditor should check dividend warrant (CF) and covering letter received along with the cheques.
- If dividend is collected through bank, amount should be verified with bank statement.
- If dividend warrant is issued and not been collected by bank, it should be shown as cheque yet to be collected (Vouchers: CF, dividend warrants, passbook).

9. Commission received:

- Study the agreement for receiving commission.
- Verify the commission received with counterfoils of receipts.
- Check the calculation of commission according to the terms of agreement.
- List of names of the parties should be verified from whom the commission is receivable.
- In case of commission received on sale of goods on consignment basis, amount of commission should be verified from the copy of account sent to the consignor.
(Voucher: agreement, CF)

10. Sale of Investment:

- If sales has been effected through a bank, the auditor should examine the bank advice to know the various details.
- Sometimes investments are sold through brokers, in such a case broker's sold note, commission note should be examined to verify sales proceeds and commission charged by the broker.
- If the investments are sold at cum-dividend price, auditor should see that proper appointment has been made between capital receipts and revenue receipts.
- In case if investments are made against specified funds, profit or loss on sale of such assets (investments) should be transferred to such funds account.
- (Voucher - bank advice, broker's sold note).

11. Insurance claim:

- Insurance claims received can be vouched with copy of insurance claim lodged, correspondence with insurance company, Counterfoil of receipt issued.
- It should be verified that insurance claim recorded has been recorded in proper account. (voucher; accounts, correspondence)

12. Sale of fixed assets:

- Sale of fixed assets may be vouched with minutes books of Board of directors meeting, correspondence, agents, sales account, Sale Contracts.
- It should be seen that proper account has been credited.
- Any profit arising from the sale of assets shall be credited to revenue account which is not available for distribution of dividend.
- If any expenses on sale of assets is paid, sale proceeds of the asset should be reduced by such amount and balance should be credited to assets account (ex- 1,00,000-10,000; the amount to be shown as 90,000 only).
- It should be seen that sale of fixed assets has been sanctioned by authorized person or committee.