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Paper-II - Auditing (H)

Group-(A)

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P.M.C.

Q No. 1 → What is the meaning of ~~voucher~~ voucher. Explain the its objectives, importance and principles of voucher?

Ans.

Voucher is known as the evident for the support of a transaction in the books of account. It may be bill, receipts, requisition form, agreement, decision, bank paying slip etc.

The act of examining documentary evidence in order to ascertain the accuracy of entries in the account books is called "vouching." Vouching is a technical term which refers to the inspection by the auditor of documentary evidence supporting and substantiating a transaction. Simply stated, vouching means a careful examination of all original evidence i.e. invoice, statements, receipts, correspondence, minutes and contracts etc.

A voucher is a documentary evidence in support of a transaction in the books of ~~account~~ account.

* Objectives: — Main objective of vouching is to find out the regularity or irregularity of transactions, frauds and errors. Regularity means maintaining record and performing the work compliance with the rules, regulation and law. But irregularity means doing the work crossing to the line of rules, regulation and laws. Some of the major objectives of vouching are given below: —

(i) To detect Errors and Frauds: — All transactions are to be supported by evidence. Each document should be proved by authorized authority, with the help of vouching each transaction. Planned fraud can be detected through vouching.

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(i) To know the truth of Account: — Each and every transaction is checked and ratified on the basis of support document. So, we can easily know the truth of account.

(ii) To Find the unrecorded Transactions: — Each and every transaction is checked and ratified on the basis of document. Vouching helps to find out the unrecorded or missing transactions. If any voucher is found unrecorded, auditor can suggest to record such transactions.

(iv) To know that all the transactions are authorized: — If the transactions are made on the consent of concerned authority, such transactions are known as authorized transactions. If transactions can be fictitious transactions. So, such fictitious transactions can be found with the help of vouching.

(v) To know that only the business transactions are recorded → Sometimes, transactions are performed for individual purpose but payment is made out of business. Such transactions should not be recorded in account of business. If such transactions are recorded, we can find it with the help of vouching. To know the real profit or loss of business, such transactions are to be separated.

* Importance: — Vouching is the act of checking evidential documents to find out errors and frauds and to know the authenticity, accuracy and reliability of books of account. Thus, it is important for an auditor due to following reasons: —

(i) Vouching is the backbone of Auditing: — Main aim of auditing is to detect errors and frauds for proving the true and fairness of results presented by income statement and balance sheet. Vouching is only the way of detecting all sorts of errors and planned frauds. So, it is the backbone of auditing.

(ii) Vouching is the essence of Auditing: — Auditing not only checks the accuracy of books of accounts but also checks whether the transactions are related to business or not. All the transactions are performed after the prior approval of concerned authority or not, transactions are real or not because an accountant may include fictitious transactions to commit frauds. All these facts can be found with the help of vouching. So, vouching is essential for auditing.

(iii) Vouching is important to see whether evidences are correct or not: — An auditor checks the books of accounts to detect errors and frauds. Frauds may be committed presenting duplicate vouchers. All the small and big amount of frauds can be detected with the help of vouching, so, all the evidential documents and records are to be checked carefully and in detail by an auditor which is the scope of vouching.

Therefore, it can be said that vouching is the heart of auditing because without the work of vouching, the work of auditing cannot be performed.

* Principles or techniques of Vouching: — At the time of vouching auditor should keep in view the following important principles in his mind: —

(4)

- (i) Arranged vouchers: — First of all auditor should check all the vouchers provided by the client are properly arranged. These are in the same order as the entries are made in the books.
- (ii) Checking of date: — The auditor should compare the date of the voucher with the date recorded in cash book.
- (iii) Compare the words and figures: — The auditor should satisfy himself amount written numbered consecutively. All the vouchers should be properly filed. On the vouchers, its figures and words are same or not.
- (iv) checking of Authority: — The auditor should examine that all the vouchers are passed by the authorized officer. If the voucher is passed by unauthorized person it will not be correct.
- (v) Cutting or change → If there is any cutting or change on the receipts and vouchers figures it should be signed by the authorized officer. The auditor should satisfy himself by inquiring about it.
- (vi) Transaction must relate to business → The auditor should carefully examine that the entries must relate to the business.
- (vii) Case of personal vouchers: — The auditor should not accept the voucher in personal name. There is a chance that an officer of the company has purchased any items in his personal capacity.
- (viii) checking of account head → Auditor must be satisfied about the head of account on which cash is deposited and drawn. He should examine the documentary evidence in this regard.
- (ix) Revenue stamp: — The auditor should also check that voucher bears a required revenue stamp or not?

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(x) Cash of cancelled voucher: — The auditor should not accept the cancelled voucher. Because it has already served the purpose of payment. There will be a danger of double payment if it is accepted.

(xi) Important Notes: — The auditor should take some important notes about those items which need further evidence or explanation.

(xii) Payment → The auditor should check that whether payment is described partially or for complete transaction at sale.

(xiii) Agreements: — These provide the basis information to the auditor. He should check the agreements, correspondence and other relevant papers.

(xiv) Printer vouchers: — Printer vouchers are considered ~~are~~ true and these are legally acceptable. If these are not printed then these are useless.

(xv) List of missing vouchers: — Auditor should prepare the list of missing vouchers. This list will be helpful in detecting the fraud and errors.

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